

Northville Downtown Development Authority

**Financial Report
with Supplemental Information
June 30, 2013**

Northville Downtown Development Authority

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Independent Auditor's Report

To the Board of Directors
Northville Downtown Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the General Fund and the governmental activities of the Northville Downtown Development Authority (the "DDA"), a component unit of the City of Northville, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Northville Downtown Development Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Board of Directors
Northville Downtown Development Authority

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund and the governmental activities of the Northville Downtown Development Authority as of June 30, 2013 and the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedule on pages 3-6, and 19, 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 & Morse, PLLC

October 25, 2013

Northville Downtown Development Authority

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Northville Downtown Development Authority (the "DDA") provides an overview of the DDA's financial activities for the fiscal year ended June 30, 2013. Please read it in conjunction with the DDA's financial statements.

Financial Highlights

The DDA captures tax increment revenues. The captured value decreased due to the decline in the value of commercial property this year resulting in \$56,408 less in captured taxes from the prior year. The DDA began capturing the jail millage this fiscal year. The DDA also levied 1.8255 mills for operations which generated \$61,349.

The downtown streetscape project was completed this fiscal year. This was a multi-year project which improved downtown Northville that was funded primarily by Limited Tax General Obligation Bonds. In addition, a pedestrian walkway that connects Main Street to the major downtown parking lot was substantially complete this year. This project was funded with Limited Tax General Obligation Bonds, tax increment revenues, and a private donation.

The DDA continues sponsoring popular downtown events such as the Friday Night Concerts, Tunes on Tuesday Concerts, the Buy Michigan Now Festival, and various other events in cooperation with Northville Parks and Recreation, Northville Arts Commission, and the Chamber of Commerce.

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.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

The Commission as a Whole

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

Summary Condensed Statement of Net Position

	2011	2012	2013	Changes from Prior Year	
				In Dollars	Percent
Assets - Current assets	\$ 1,375,536	\$ 1,366,146	\$ 1,080,832	\$ (285,314)	(21)
Liabilities					
Current liabilities	258,160	350,989	127,212	(223,777)	(64)
Long-term liabilities	180,000	150,000	120,000	(30,000)	(20)
Total liabilities	438,160	500,989	247,212	(253,777)	14
Net Assets - Unrestricted	\$ 937,376	\$ 865,157	\$ 833,620	\$ (31,537)	(4)

The above decrease in unrestricted net assets is consistent with the DDA's long-term financial plan. Cash reserves were intentionally decreased for the continuation of two multi-year major projects which continued during the current fiscal year. The two projects are the downtown streetscape enhancement project and the downtown pedestrian walkway project.

The decrease in current liabilities is related to invoices payable at year end in the prior year for the downtown pedestrian walkway project and the decrease in the reserve for tax appeals. The decrease in long-term liabilities is due to the maturing of long-term debt.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year in comparison with the two prior years:

Summary Condensed Statement of Activities

	2011	2012	2013	Changes from Prior Year	
				In Dollars	Percent
Revenue					
Property taxes	\$ 744,181	\$ 702,413	\$ 849,087	\$ 146,674	21
Operating levy	67,537	68,207	61,349	(6,858)	(10)
Contributions	739,108	600,507	491,526	(108,981)	(18)
Other income	23,562	138,147	1,432	(136,715)	(99)
Total revenue	1,574,388	1,509,274	1,403,394	(105,880)	(7)
Expenditures					
Business mix committee	44,935	72,496	62,371	(10,125)	(14)
Design committee	859,945	1,012,816	852,880	(159,936)	(16)
Marketing committee	150,710	154,459	139,550	(14,909)	(10)
Parking committee	89,344	89,676	125,114	35,438	40
Organizational committee	53,287	53,734	57,780	4,046	8
Public works	30,663	15,699	17,769	2,070	13.2
Debt service	11,825	10,250	8,450	(1,800)	(18)
Debt service - Pass-through commitment	166,900	172,363	171,017	(1,346)	(1)
Total expenditures	1,407,609	1,581,493	1,434,931	(146,562)	(9)
Excess of Revenue Over (Under) Expenditures	\$ 166,779	\$ (72,219)	\$ (31,537)	\$ 40,682	(56)

Property taxes include captured taxes and an adjustment to the reserve for property tax appeals. The increase in property taxes was primarily related to the lower reserve required for future property tax appeals offset by the decrease in captured taxes.

The decrease in the operating levy was due to the decline in commercial real property taxable values.

The decline in contributions was directly due to the amount of bond proceeds required each year for the two major downtown improvement projects.

The decrease in other income was expected as the prior year included the receipt of a private donation for the downtown pedestrian walkway project.

The decrease in expenditures for the business mix committee was expected due to the elimination of the business assistance program.

The decrease in design committee was directly related to the timing of the two major downtown improvement projects.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

The decrease in the marketing committee expenditures was expected as the Movies at the Marquis was eliminated this year.

The increase in the parking committee expenditures was anticipated due to the increased allocation to the City's General Fund to pay for downtown street lighting and parking lot electrical costs.

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 quarterly.

Capital Asset and Debt Administration

The DDA contributes financial support to the City of Northville for some of the construction and maintenance of assets within the DDA's boundaries. Most of those costs are recorded in the financial statements under the category of design committee expense. The DDA does not have any capital assets of its own.

The DDA has one outstanding loan. The City's General Fund loaned the DDA \$300,000 in fiscal year 2008 to assist with financing of the Town Square Project. It is payable over a 10-year period. Installment number five was paid during this fiscal year.

Economic Factors and Next Year's Budgets and Rates

The DDA will continue to focus attention and resources on business recruitment and retention efforts in the downtown. Expenditures continue to grow at a faster rate than revenue, which will continue to be a challenge for the DDA.

It is expected that captured taxes and the operating levy will decrease due to legislative changes related to personal property taxes and captured taxes of the Detroit Zoological Authority and the Detroit Institute of Arts.

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 Northville Downtown Development Authority's office at 215 West Main Street, Northville, Michigan 48167, or via the DDA's website at www.downtownnorthville.org.

Northville Downtown Development Authority

Statement of Net Position/Governmental Fund Balance Sheet June 30, 2013

	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Net Position</u>
Assets			
Cash and cash equivalents (Note 5)	\$ 1,063,585	\$ -	\$ 1,063,585
Due from other governmental units	3,616	-	3,616
Other assets	<u>13,631</u>	<u>-</u>	<u>13,631</u>
Total assets	1,080,832	-	1,080,832
Liabilities			
Accounts payable	63,773	-	63,773
Accrued and other liabilities	9,789	23,650	33,439
Long-term debt (Note 7):			
Due within one year	-	30,000	30,000
Due in more than one year	<u>-</u>	<u>120,000</u>	<u>120,000</u>
Total liabilities	73,562	173,650	247,212
Fund Balance/Net Position			
Fund balances			
Nonspendable - Prepays	6,385	(6,385)	-
Committed - Business assistance program	7,036	(7,036)	-
Assigned:			
Subsequent year budget expenditures in excess of budgeted revenue	156,064	(156,064)	-
Compensated absences	16,775	(16,775)	-
Boundary expansion	8,812	(8,812)	-
Unassigned	<u>812,198</u>	<u>(812,198)</u>	<u>-</u>
Total fund balance	1,007,270	(1,007,270)	-
Net Position - Unrestricted		<u>833,620</u>	<u>833,620</u>
Total net position		<u><u>\$ 833,620</u></u>	<u><u>\$ 833,620</u></u>

Northville Downtown Development Authority

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2013

	General Fund	Adjustments (Note 4)	Statement of Net Position
Revenue			
Captured taxes	\$ 726,686	\$ -	\$ 726,686
Operating levy	61,349	-	61,349
Other income	1,432	-	1,432
Property taxes - Other	122,401	-	122,401
Contributions	491,526	-	491,526
	<u>1,403,394</u>	<u>-</u>	<u>1,403,394</u>
Total revenue	1,403,394	-	1,403,394
Expenditures			
Business mix committee	62,090	281	62,371
Design committee	852,528	352	852,880
Marketing committee	139,269	281	139,550
Parking committee	124,996	118	125,114
Organizational committee	57,639	141	57,780
Public works	17,769	-	17,769
Debt service	39,900	(31,450)	8,450
Debt service - Pass-through commitment	171,017	-	171,017
	<u>1,465,208</u>	<u>(30,277)</u>	<u>1,434,931</u>
Total expenditures	1,465,208	(30,277)	1,434,931
Net Change in Fund Balance/Net Position	(61,814)	30,277	(31,537)
Fund Balance/Net Position - Beginning of year	<u>1,069,084</u>	<u>(203,927)</u>	<u>865,157</u>
Fund Balance/Net Position - End of year	<u>\$ 1,007,270</u>	<u>\$ (173,650)</u>	<u>\$ 833,620</u>

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies

The accounting policies of Northville Downtown Development Authority (the "DDA") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Northville Downtown Development Authority.

Reporting Entity

Northville Downtown Development Authority was formed under Act 197 of the Public Acts of 1975 to develop downtown Northville. A revised development plan was adopted in 1993 that provided the financing plan for the construction of downtown parking facilities. The final payment was made during the year ended June 30, 2009.

The City of Northville issued bonds on behalf of the DDA for a streetscape improvement project which were issued in February 2010 in the amount of \$2,000,000. The bonds are payable in 15 annual installments beginning in April 2011. The board of the DDA adopted a related resolution pledging future tax increment revenue for the payment of the bonds. The principal and interest to be paid on the bonds totaled \$2,888,122 before the Build America Bonds interest subsidy. The total Build America Bonds interest subsidy is \$310,844. During the current year, captured tax revenue of the DDA was \$726,686 compared to related debt service requirements of \$171,017.

The accompanying financial statements pertain to the financial activities of the DDA. These activities have also been presented within the financial statements of the City of Northville, Michigan as a component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements report information on all of the activities of the DDA. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the DDA considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenue is recognized in the accounting period in which it becomes both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the DDA.

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the DDA's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the DDA's policy to spend funds in this order: committed, assigned, and unassigned.

The General Fund is the DDA's only operating fund. It accounts for all financial resources of the general government.

Assets, Liabilities, and Net Position or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is allocated using a weighted average of balance for the principal.

Capital Assets - Capital assets are defined by the DDA as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. The DDA has no assets that meet this criterion.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the DDA's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent upon retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide financial statements.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the DDA's board of directors for use for specific purposes. Commitments are made and can be rescinded only via resolution of the DDA's board of directors.
- **Assigned:** Intent to spend resources on specific purposes expressed by the DDA's board of directors
- **Unassigned:** Amounts that do not fall into any other category above.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

New Accounting Standard - In the current year, the DDA implemented Governmental Accounting Standards Board Statement (GASB) No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB No. 63 incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concept Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note 2 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the DDA as of fiscal year 2013-2014.

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The DDA is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2014-2015 fiscal year. Currently, there are no DDA employees participating in the pension plan; therefore, this pronouncement will not have an effect on the financial statements.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the director and then reviewed by the DDA. After the budget is approved by the DDA, it is then presented to the City of Northville for approval prior to the start of the fiscal year. The budget is reviewed by the DDA and the City on a quarterly basis and amended as necessary.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing bodies is the department level. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. The comparison of actual results of operations to the General Fund budget is presented for analytical purposes only.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note 3 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The DDA did not have significant expenditure budget variances.

Note 4 - Reconciliation of Government-wide and Fund Financial Statements

Total fund balances and the net change in fund balances of the DDA's governmental funds differ from net position and changes in net position of the governmental activities reported in 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 financial resources measurement focus of the governmental fund balance sheet.

The reconciliation of fund balance to net position relates to compensated absences and long-term debt that are included as a liability for the statement of net position. The reconciliation of the net change in fund balance to net change in net position relates to the decrease in the accrual for long-term compensated absences as well as long-term debt payments which are reported as expenses in the statement of activities, but are not reported as expenses in the governmental fund.

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; mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools organized under the Surplus Funds Investment Pool Acts of the State of Michigan. The investment policy adopted is in accordance with Public Act 196 of 1997 and has authorized investment in all vehicles covered by the state statute listed above.

Cash and investments are subject to several types of risk. At year end, the carrying amount of the DDA's cash and investments is held by the City's cash and investments pool. For the purpose of risk disclosure, it is not practical to allocate risk to each entity in the investment fund. The disclosures below are related to the overall risk for the cash and investments totals that are presented in the City's financial statements. The DDA's cash and investments, however, represent 6.8 percent of the total portfolio managed by the City.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note 5 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The policy for custodial credit risk limits bank options to those approved by the DDA. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the investment policy. Overall, the City had \$1,797,804 in bank deposits (checking and savings accounts in addition to certificates of deposit) that were uninsured and uncollateralized. Each financial institution where funds are deposited is evaluated to assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. As of June 30, 2013, five banks are utilized for the deposit of the DDA's funds.

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's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Percentage of Total Portfolio	Weighted Average Maturity
Federal Home Loan Mortgage Co.	7 %	28
Federal National Mortgage Assoc.	17	238
Federal Home Loan Bank	12	43
Federal Farm Credit Bank	14	113
Municipal bonds	35	169
Commercial paper	14	83

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note 5 - Deposits and Investments (Continued)

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The 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	Percentage of Total Portfolio	Standard & Poor's Rating
Bank investment pools	1 %	N/A
Federal Home Loan Mortgage Corp.	7	AA+
Federal National Mortgage Assoc.	17	AA+
Federal Home Loan Bank	12	AA+
Federal Farm Credit Bank	14	AA+
Commercial paper	5	A-I
Commercial paper	9	A-I +
Municipal bonds	3	A
Municipal bonds	3	A+
Municipal bonds	8	AA
Municipal bonds	7	AA-
Municipal bonds	4	AA+
Municipal bonds	3	AAA
Municipal bonds	1	NR
Municipal bonds	6	SP-I

Concentration of Credit Risk - It is the policy of the DDA to diversify the investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at the time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies, investments in mutual funds, and external investment pools and other pooled investments. The concentration of credit risk is shown below:

Investment	Percent
Federal National Mortgage Assoc.	15 %
Federal Farm Credit Bank	13
Federal Home Loan Bank	11
Federal Home Loan Mortgage Company	6

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note 6 - Captured Taxes

Captured taxes represent the property taxes on the increment in taxable value of the downtown development district property since the adoption of the development plan. These taxes are earmarked for debt retirement purposes and other purposes consistent with the development plan.

Based on the 2012 taxable value subject to capture, the taxes captured by the Northville Downtown Development Authority are as shown below.

	<u>2012 Tax Captured</u>
City of Northville	\$ 414,630
Wayne County	179,263
Wayne Parks	6,639
Schoolcraft Community College	48,520
Huron Clinton Metropolitan Authority	5,794
Northville District Library	38,408
Detroit Institute of Arts	5,400
Wayne County Zoological Authority	2,699
Wayne Public Safety	<u>25,333</u>
Total	<u>\$ 726,686</u>

Note 7 - Long-term Debt

The outstanding debt of the DDA consists of the following amounts borrowed from the City of Northville's General Fund:

<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
5.50%	2018	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 150,000</u>	<u>\$ 30,000</u>

Annual debt service requirements to maturity for the above debt obligation are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 30,000	\$ 8,250	\$ 38,250
2015	30,000	6,600	36,600
2016	30,000	4,950	34,950
2017	30,000	3,300	33,300
2018	<u>30,000</u>	<u>1,650</u>	<u>31,650</u>
Total	<u>\$ 150,000</u>	<u>\$ 24,750</u>	<u>\$ 174,750</u>

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2013

Note 8 - Commitment

The DDA has pledged future tax increment revenue for the payment of the 2010 bonds issued by the City of Northville for the streetscape improvement project. Future debt service payments on those bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest - Net of Subsidy</u>	<u>Total</u>
2014	\$ 120,000	\$ 53,735	\$ 173,735
2015	120,000	51,239	171,239
2016	125,000	48,431	173,431
2017	125,000	45,100	170,100
2018	130,000	41,444	171,444
2019-2023	725,000	140,221	865,221
2024-2025	325,000	18,528	343,528
Total	<u>\$ 1,670,000</u>	<u>\$ 398,699</u>	<u>\$ 2,068,699</u>

Subsequent to June 30, 2013, the Northville City Council approved a refunding of the 2010 streetscape improvement bonds. The refunding occurred on October 22, 2013.

Note 9 - Defined Contribution Pension Plan

The City of Northville sponsors the pension plan on behalf of the Downtown Development Authority. The employer of record for the DDA is the City of Northville. The DDA has only one employee who participates in the defined contribution pension plan, but is not eligible to participate in the postretirement healthcare plan. Accordingly, the employee of the DDA participates in the City's employee benefit programs and policies and is pooled with City employees for benefits administration subject to those benefits outlined in an employment contract with the DDA director. The City charges the DDA for its pro-rata share of employee fringe benefit costs in the same manner as City departments are charged for fringe benefits. Employees are eligible to participate in the defined contribution pension plan from the date of employment. As established by City Council action, the DDA contributes 5 percent of employees' gross earnings for eligible part-time employees, and 10 percent for full-time employees. The DDA's contribution plus investment earnings are fully vested by the employee after seven years of service. There are no retirees of the DDA. A description of the pension plan and related overall funding levels may be obtained from the City of Northville's financial statements. Those statements may be obtained by contacting the City of Northville, 215 West Main Street, Northville, Michigan 48167.

The DDA's total payroll during the current year was \$98,095. The current year contribution was calculated based on covered payroll of \$72,542, resulting in an employer contribution of \$7,245. Total payroll is greater than covered payroll because part-time staff and the Department of Public Works wages are not included in the DDA's covered payroll.

Required Supplemental Information

Northville Downtown Development Authority

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2013

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Captured taxes	\$ 727,582	\$ 726,690	\$ 726,686	\$ (4)
Operating levy	64,683	61,349	61,349	-
Other income	2,798	3,473	1,432	(2,041)
Property taxes - Other	(29,700)	(17,300)	122,401	139,701
Contributions	-	491,525	491,526	1
Total revenue	765,363	1,265,737	1,403,394	137,657
Expenditures/Expenses				
Business mix committee	48,767	72,332	62,090	10,242
Design committee	152,320	949,792	852,528	97,264
Marketing committee	171,402	162,605	139,269	23,336
Parking committee	146,443	121,872	124,996	(3,124)
Organizational committee	57,959	60,305	57,639	2,666
Public works	22,230	17,330	17,769	(439)
Debt service	39,900	39,900	39,900	-
Debt service - Pass-through commitment	171,017	171,017	171,017	-
Total expenditures	810,038	1,595,153	1,465,208	129,945
Net Change in Fund Balances/Net Position	(44,675)	(329,416)	(61,814)	267,602
Fund Balances/Net Position - Beginning of year	1,069,084	1,069,084	1,069,084	-
Fund Balances/Net Position - End of year	<u>\$ 1,024,409</u>	<u>\$ 739,668</u>	<u>\$ 1,007,270</u>	<u>\$ 267,602</u>