

Northville Downtown Development Authority
(a component unit of the City of Northville)

Financial Report
with Supplemental Information
June 30, 2016

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 Northville Downtown Development Authority (the "DDA"), a component unit of the City of Northville, as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise 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 opinions 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 opinion.

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 Northville Downtown Development Authority as of June 30, 2016 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.

To the Board of Directors
Northville Downtown Development Authority

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 schedules, as identified in the table of contents, 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

November 7, 2016

Northville Downtown Development Authority

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of Northville Downtown Development Authority (the "DDA") provides an overview of the DDA's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the DDA's financial statements.

Financial Highlights

The DDA staff allocates its time between physical improvement projects, parking, business recruitment and retention, planning, administrative duties, and marketing and special events. Time is also spent working with the Northville Central Business Association, Chamber of Commerce, and city officials to achieve and maintain a vibrant and economically viable downtown. Beginning with fiscal year 2016, the amended and restated Development and Tax Increment Financing Plan took effect, which adjusted the DDA's Development Area and Downtown District boundaries to make the two boundaries congruent.

The DDA captured \$639,523 in tax increment revenue. This was an increase of 0.4 percent from the prior year. The DDA levied 1.8255 mills for operations, which generated \$56,618, up 1.9 percent from the prior year.

The State of Michigan reimbursed the DDA \$28,112 for losses related to the small taxpayer exemption on personal property taxes.

The DDA sponsors popular downtown events such as the Friday Night Concerts, Tunes on Tuesday Concerts, the Buy Michigan Now Festival, Concours d'Elegance Preview event, Skeletons are Alive, and various other events in cooperation with Northville Parks and Recreation, the Northville Arts Commission, and the Chamber of Commerce.

In addition to special events, the DDA has undertaken three special projects as follows:

- Wayfinding - A comprehensive wayfinding project which will direct residents and visitors of Northville to parking, municipal services, public venues, and other destinations. The signs will be installed on the outskirts of the City and direct vehicles into downtown. Once in downtown, pedestrian scaled signs will direct both vehicles and pedestrians to their desired destinations. The signs have been purchased and will be installed during fiscal year 2017.
- Exhibit - An interior historic exhibit for the Comerica Community Connection, which was installed during the fiscal year.
- Strategic Plan - An updated strategic plan for downtown Northville commenced late during the fiscal year and is expected to be finalized during fiscal year 2017.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

The DDA continues to operate, maintain, and provide service to all of the physical facilities in downtown Northville. Seasonal maintenance workers are utilized to weed, water, and maintain the landscape material downtown. Contract services are utilized for landscape installation, irrigation, electrical work, and concrete and brick maintenance. In cooperation with the City's Department of Public Works, the DDA ensures that downtown Northville operates at a high level both functionally and aesthetically.

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.

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:

	2014	2015	2016	Changes from Prior Year	
				In Dollars	Percent
Assets - Current assets	\$ 745,108	\$ 545,428	\$ 429,962	\$ (115,466)	(21)
Liabilities - Current liabilities	151,568	31,827	43,438	11,611	36
Net Position - Unrestricted	<u>\$ 593,540</u>	<u>\$ 513,601</u>	<u>\$ 386,524</u>	<u>\$ (127,077)</u>	(25)

The above decrease in current assets was expected and is consistent with the DDA's long-term financial plan to utilize resources on wayfinding signage, the exhibit in the Comerica Community Connection, and preliminary stages of updating the strategic plan. The increase in current liabilities is related to timing of invoices payable at year end.

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:

	2014	2015	2016	Changes from Prior Year	
				In Dollars	Percent
Revenue					
Property taxes	\$ 604,480	\$ 636,713	\$ 639,523	\$ 2,810	0
Operating levy	60,508	55,561	56,618	1,057	2
Other income	8,850	19,274	27,677	8,403	44
Property taxes - Other	1,411	31,190	26,200	(4,990)	(16)
Total revenue	675,249	742,738	750,018	7,280	1
Expenditures					
Business mix committee	44,119	-	-	-	-
Design committee	278,608	210,211	300,784	90,573	43
Marketing committee	157,726	213,862	175,704	(38,158)	(18)
Parking committee	190,309	151,356	159,080	7,724	5
Organizational committee	56,006	62,240	51,385	(10,855)	(17)
Public works	12,254	15,873	14,727	(1,146)	(7)
Debt service	5,225	-	-	-	-
Debt service - Pass through commitment	171,082	169,135	175,415	6,280	4
Total expenditures	915,329	822,677	877,095	54,418	7
Excess of Expenditures Over Revenue	\$ (240,080)	\$ (79,939)	\$ (127,077)	\$ (47,138)	59

The increase in the other revenue was due to receipt of insurance proceeds for property damage.

The increase in design committee expenditures was directly related to the purchase of wayfinding signage and exhibit materials. The increase in the parking committee expenditures was due to additional maintenance needs required in the parking decks.

The decrease in the marketing committee expenditures was due to two factors. The current year utilized one part-time employee, whereas the prior year utilized two outside contractors for support services. The contribution to parks and recreation for concerts was a planned decrease due to cost-saving measures and the result of the program being shifted to the Chamber of Commerce.

The decrease in the organizational committee expenditures was due the DDA boundary expansion costs incurred in the prior year.

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.

Northville Downtown Development Authority

Management's Discussion and Analysis (Continued)

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.

Captured tax revenue is pledged to pay for the 2013 refunding bonds issued by the City of Northville for completed streetscape improvements.

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 area. Expenditures continue to grow at a faster rate than revenue, which will continue to be a challenge for the DDA.

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

Northville Downtown Development Authority

Statement of Net Position/Governmental Fund Balance Sheet June 30, 2016

	General Fund	Adjustments (Note 3)	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 56,395	\$ -	\$ 56,395
Investments (Note 4)	366,844	-	366,844
Other receivables	10	-	10
Prepaid expenses and other assets	6,713	-	6,713
Total assets	<u>\$ 429,962</u>	-	429,962
Liabilities			
Accounts payable	\$ 18,357	-	18,357
Accrued liabilities and other	11,790	13,291	25,081
Total liabilities	30,147	13,291	43,438
Fund Balance/Net Position			
Fund Balance:			
Nonspendable - Prepaids	6,713	(6,713)	-
Assigned:			
Subsequent year's budget	56,645	(56,645)	-
Assigned for compensated absences	13,291	(13,291)	-
Assigned for capital projects	7,857	(7,857)	-
Unassigned	315,309	(315,309)	-
Total fund balance	<u>399,815</u>	<u>(399,815)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 429,962</u>		
Net Position - Unrestricted		<u>\$ 386,524</u>	<u>\$ 386,524</u>

Northville Downtown Development Authority

Statement of Activities/Governmental Fund Revenue, Expenditures and Changes in Fund Balance Year Ended June 30, 2016

	General Fund	Adjustments (Note 3)	Statement of Net Position
Revenue			
Captured taxes (Note 5)	\$ 639,523	\$ -	\$ 639,523
Operating levy	56,618	-	56,618
Other income	27,677	-	27,677
Property taxes - Other	26,200	-	26,200
Total revenue	750,018	-	750,018
Expenditures			
Design committee	299,937	847	300,784
Marketing committee	174,348	1,356	175,704
Parking committee	158,798	282	159,080
Organizational committee	51,046	339	51,385
Public works	14,727	-	14,727
Debt service - Pass-through commitment	175,415	-	175,415
Total expenditures	874,271	2,824	877,095
Net Change in Fund Balance/Net Position	(124,253)	(2,824)	(127,077)
Fund Balance/Net Position - Beginning of year	524,068	(10,467)	513,601
Fund Balance/Net Position - End of year	\$ 399,815	\$ (13,291)	\$ 386,524

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

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 framework for the construction of downtown parking facilities. The final payment was made during the year ended June 30, 2009.

During fiscal year 2015, the DDA amended and restated its development plan and tax increment financing plan. The development area boundary was expanded to have the same geographic limits as the DDA district.

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 revenue. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (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.

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.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note I - Summary of Significant Accounting Policies (Continued)

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 revenue to be available if it is 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 the purpose 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 the purpose 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.

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.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - 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, 2016

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - The budget variance in the design committee expenditures is due to amounts incurred above the estimated fiscal year 2016 costs to update the DDA's strategic plan.

Note 3 - 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 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 increase in the accrual for long-term compensated absences, which are reported as expenditures in the statement of activities but are not reported as expenditures in the governmental fund.

Note 4 - 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 included with 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 approximately 2.7 percent of the total portfolio managed by the City.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note 4 - 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 DDA had \$54,636 in bank deposits (checking and savings accounts) that were uninsured and uncollateralized. Each financial institution with which 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, 2016, two banks are utilized for the deposit of DDA 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 DDA had the following investments:

Investment	Fair Value	Weighted Average Maturity (Days)
Commercial paper	\$ 30,503	191
U.S. Treasury	97,563	747
Federal agency bond	209,509	767
Supra National Agency bond	27,567	503
Municipal bonds	1,349	63
Total	\$ 366,491	

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
Money markets	0.1 %	AAAm
Commercial paper	8.3	A-1
U.S. Treasury	26.6	AA+
Federal agency bond	57.1	AA+
Supra National Agency	7.5	AAA
Municipal bonds	0.4	SP-1

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note 4 - Deposits and Investments (Continued)

Concentration of Credit Risk - It is the City's policy to diversify its 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, external investment pools, and other pooled investments. At June 30, 2016, more than 5 percent of the City's investments are in the following agency securities:

Federal Home Loan Banks	14%
Fannie Mae	33%
Freddie Mac	10%
Supra National Agency	8%

Fair Value Measurement - 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.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note 4 - Deposits and Investments (Continued)

The DDA has the following recurring fair value measurements as of June 30, 2016:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 97,563	\$ -	\$ 97,563	\$ -
Supra National Agency bonds	27,567	-	27,567	-
Federal agency bond	209,509	-	209,509	-
Municipal bonds	1,349	-	1,349	-
Commercial paper	30,503	-	30,503	-
Total debt securities	366,491	\$ -	\$ 366,491	\$ -
Investments measured at the net asset value (NAV) - Money market	353			
Total investments measured at fair value	\$ 366,844			

The fair value of debt securities at June 30, 2016 was determined primarily based on Level 2 inputs. The DDA estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models.

The DDA holds money market investments in the Governments of Michigan Investing Cooperative Program. These investments are measured at the net asset value (NAV) per share (or its equivalent). There are no limitations or restrictions on participant withdrawals for the cooperative program that is recorded at amortized cost.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note 5 - 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 2015 taxable value subject to capture, the taxes captured by the Northville Downtown Development Authority are as shown below.

	<u>2015 Tax Captured</u>
City of Northville	\$ 372,651
Wayne County	161,248
Wayne Parks	5,973
Schoolcraft Community College	43,644
Huron Clinton Metropolitan Authority	5,212
Northville District Library	28,008
Wayne Public Safety	<u>22,787</u>
Total	<u>\$ 639,523</u>

Note 6 - Commitment

The DDA has pledged future tax increment revenue for the payment of the 2013 refunding bonds issued by the City of Northville for the completed streetscape improvement project. Future debt service payments on those refunded bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 130,000	\$ 41,385	\$ 171,385
2018	135,000	37,355	172,355
2019	140,000	33,170	173,170
2020	145,000	28,830	173,830
2021	150,000	24,335	174,335
2022-2025	<u>635,000</u>	<u>49,755</u>	<u>684,755</u>
Total	<u>\$ 1,335,000</u>	<u>\$ 214,830</u>	<u>\$ 1,549,830</u>

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2016

Note 7 - 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; however, this individual is not eligible to participate in the City's 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 specific 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 affected 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 \$118,436. The current year contribution was calculated based on covered payroll of \$75,307, resulting in an employer contribution of \$7,531. Total payroll is greater than covered payroll because part-time staff's and the Department of Public Works' wages are specifically 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, 2016

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Captured taxes	\$ 651,219	\$ 639,523	\$ 639,523	\$ -
Operating levy	57,335	55,505	56,618	1,113
Other income	12,700	24,823	27,677	2,854
Property taxes - Other	22,000	23,112	26,200	3,088
Total revenue	743,254	742,963	750,018	7,055
Expenditures/Expenses				
Design committee	215,885	297,270	299,937	(2,667)
Marketing committee	174,240	178,254	174,348	3,906
Parking committee	191,175	187,275	158,798	28,477
Organizational committee	56,610	53,119	51,046	2,073
Public works	17,360	15,145	14,727	418
Debt service - Pass-through commitment	175,415	175,415	175,415	-
Total expenditures	830,685	906,478	874,271	32,207
Net Change in Fund Balance/Net Position	(87,431)	(163,515)	(124,253)	39,262
Fund Balance/Net Position - Beginning of year	524,068	524,068	524,068	-
Fund Balance/Net Position - End of year	<u>\$ 436,637</u>	<u>\$ 360,553</u>	<u>\$ 399,815</u>	<u>\$ 39,262</u>