

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

Financial Report
with Supplemental Information
June 30, 2012

Northville Downtown Development Authority

Contents

Report Letter	1
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-wide and Fund Financial Statements:	
Statement of Net Assets/Governmental Fund Balance Sheet	6
Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance	7
Notes to Financial Statements	8-17
Required Supplemental Information	18
Budgetary Comparison Schedule - General Fund	19



Plante & Moran, PLLC
 27400 Northwestern Highway
 P.O. Box 307
 Southfield, MI 48037-0307
 Tel: 248.352.2500
 Fax: 248.352.0018
 plantemoran.com

Independent Auditor’s Report

To the Board of Directors
 Northville Downtown Development Authority

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, 2012, which collectively comprise the DDA’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Northville Downtown Development Authority’s management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the 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

October 5, 2012



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, 2012. Please read it in conjunction with the City's financial statements.

Financial Highlights

Construction for the downtown pedestrian walkway, which will connect a major downtown parking lot directly to Main Street, commenced in fiscal year 2012. The funding sources for this multi-year project are Limited Tax General Obligation Development Bonds, tax increment financing revenue, and a private donation. This project will be completed during the next fiscal year.

The multi-year downtown streetscape project was substantially completed during the fiscal year. This project was funded by Limited Tax General Obligation Bonds and an MDOT Enhancement Grant.

The business assistance program (BAP), which provides grant match opportunities for downtown businesses for façade or technical improvements, continued this fiscal year. To date, the DDA has awarded over \$196,000 in grants.

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

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets 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 DDA as a Whole

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

Summary Condensed Statement of Net Assets

	2010	2011	2012	Changes from Prior Year	
				In Dollars	Percent
Assets - Current assets	\$ 1,178,977	\$ 1,375,536	\$ 1,366,146	\$ (9,390)	(1)
Liabilities					
Current liabilities	197,980	258,160	350,989	92,829	36
Long-term liabilities	<u>210,000</u>	<u>180,000</u>	<u>150,000</u>	<u>(30,000)</u>	(17)
Total liabilities	<u>407,980</u>	<u>438,160</u>	<u>500,989</u>	<u>62,829</u>	14
Net Assets - Unrestricted	<u>\$ 770,997</u>	<u>\$ 937,376</u>	<u>\$ 865,157</u>	<u>\$ (72,219)</u>	(8)

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

The increase in current liabilities is related to invoices payable at year end for the downtown pedestrian walkway project and to increase 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

	2010	2011	2012	Changes from Prior Year	
				In Dollars	Percent
Revenue					
Captured taxes (Note 5)	\$ 713,808	\$ 744,181	\$ 702,413	\$ (41,768)	(6)
Federal sources	-	-	-	-	-
Operating levy	71,356	67,537	68,207	670	1
Contributions	151,359	739,108	600,507	(138,601)	(19)
Other income	35,266	23,562	138,147	114,585	486
Total revenue	971,789	1,574,388	1,509,274	(65,114)	(4)
Expenditures					
Business mix committee	76,027	44,935	72,496	27,561	61
Design committee	367,790	859,945	1,012,816	152,871	18
Marketing committee	165,035	150,710	154,459	3,749	2
Parking committee	83,185	89,344	89,676	332	0
Organizational committee	51,219	53,287	53,734	447	1
Public works	-	30,663	15,699	(14,964)	(48.8)
Debt service	13,475	11,825	10,250	(1,575)	(13)
Debt service - Pass-through commitment	2,654	166,900	172,363	5,463	3
Total expenditures	759,385	1,407,609	1,581,493	173,884	12
Excess of Revenue Over (Under)					
Expenditures	<u>\$ 212,404</u>	<u>\$ 166,779</u>	<u>\$ (72,219)</u>	<u>\$ (238,998)</u>	(143)

The increases in other income and the design committee expenditures were expected and were directly related to the construction of the downtown streetscape enhancement project and the downtown pedestrian walkway project.

The decrease in contributions was due to the amount of bond proceeds required for the two downtown construction projects.

The increase in expenditures for the business mix committee was expected due to higher participation in the business assistance program this year and an update to the walking maps.

The decrease in public works was due to less dependence upon DPW staff for downtown maintenance. Rather, the use of part-time employees was utilized, which is charged to the design committee.

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. The committee structure that is reflected in the budget will continue to serve to recommend how DDA resources are allocated.

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 debt issue. 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 four 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.

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.org.

Northville Downtown Development Authority

Statement of Net Assets/Governmental Fund Balance Sheet June 30, 2012

	General Fund	Adjustments (Note 3)	Statement of Net Assets
Assets			
Cash and investments (Note 4)	\$ 1,334,869	\$ -	\$ 1,334,869
Due from other governmental units	-	-	-
Other assets	<u>31,277</u>	<u>-</u>	<u>31,277</u>
Total assets	1,366,146	-	1,366,146
Liabilities			
Accounts payable	144,226	-	144,226
Accrued and other liabilities	152,836	23,927	176,763
Long-term debt (Note 6):			
Portion due within one year	-	30,000	30,000
Portion due after one year	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total liabilities	<u>297,062</u>	<u>203,927</u>	<u>500,989</u>
Net Assets - Fund balances			
Nonspendable - Prepays	9,709	(9,709)	-
Committed - Business assistance program	18,244	(18,244)	-
Assigned:		-	-
Parking structure repairs	30,000	(30,000)	-
Boundary expansion	8,812	(8,812)	-
Compensated absences	15,602	(15,602)	-
Subsequent year budget expenditures in excess of budgeted revenue	44,675	(44,675)	-
Unassigned	<u>942,042</u>	<u>(942,042)</u>	<u>-</u>
Total fund balance	<u>\$ 1,069,084</u>	<u>(1,069,084)</u>	<u>-</u>
Unrestricted		<u>865,157</u>	<u>865,157</u>
Total net assets		<u>\$ 865,157</u>	<u>\$ 865,157</u>

Northville Downtown Development Authority

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2012

	General Fund	Adjustments (Note 3)	Statement of Activities
Revenue			
Captured taxes (Note 5)	\$ 702,413	\$ -	\$ 702,413
Operating levy	68,207	-	68,207
Contributions	600,507	-	600,507
Other income	138,147	-	138,147
Total revenue	1,509,274	-	1,509,274
Expenditures			
Business mix committee	71,929	567	72,496
Design committee	1,012,106	710	1,012,816
Marketing committee	153,891	568	154,459
Parking committee	89,439	237	89,676
Organizational committee	53,450	284	53,734
Public works	15,699	-	15,699
Debt service	41,550	(31,300)	10,250
Debt service - Pass-through commitment	172,363	-	172,363
Total expenditures	1,610,427	(28,934)	1,581,493
Excess of Expenditures Over Revenue	(101,153)	28,934	(72,219)
Net Change in Fund Balance/Net Assets	(101,153)	28,934	(72,219)
Fund Balance/Net Assets - Beginning of year	1,170,237	(232,861)	937,376
Fund Balance/Net Assets - End of year	\$ 1,069,084	\$ (203,927)	\$ 865,157

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 1 - 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 \$702,413 compared to related debt service requirements of \$172,363.

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. Governmental activities are normally supported by taxes.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 or segment.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 1 - 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 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 purposes for which both restricted and unrestricted net assets 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 Assets 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 expected useful life of more than one year. The DDA has no assets that meet this criterion.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 1 - 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 reporting period. Actual results could differ from those estimates.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Reporting Change - In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The DDA is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA committee on accounting procedure. The DDA is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the DDA's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

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. GASB Statement No. 65 will be implemented for the DDA as of fiscal year 2013-2014.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

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.

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

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 assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the financial resources measurement focus of the governmental fund balance sheet.

The reconciliation of fund balance to net assets relates to compensated absences and long-term debt that are included as a liability for the statement of net assets. The reconciliation of the net change in fund balance to net change in net assets relates to the increase 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.

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 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 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 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 8.3 percent of the total portfolio managed by the City.

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 no 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, 2012, five banks are utilized for the deposit of the DDA's funds.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The policy followed is consistent with state law. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments (Continued)

Investment	Percentage of Total Portfolio	Standard & Poor's Rating
Bank investment pools	13%	N/A
Federal Home Loan Mortgage Corp	3%	AA+
Federal National Mortgage Assoc	13%	AA+
Federal Home Loan Bank	8%	AA+
Federal Farm Credit Bank	4%	AA+
Commercial paper	17%	A-1
Municipal bonds	1%	A
Municipal bonds	1%	A+
Municipal bonds	7%	AA
Municipal bonds	5%	AA-
Municipal bonds	7%	AA+
Municipal bonds	6%	Aa2
Municipal bonds	4%	AAA
Municipal bonds	8%	NR
Municipal bonds	2%	SP-1
Municipal bonds	1%	NR

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 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.	3%	579
Federal National Mortgage Assoc	13%	524
Federal Home Loan Bank	8%	508
Federal Farm Credit Bank	4%	529
Municipal bonds	42%	174

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 4 - Deposits and Investments (Continued)

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:

<u>Investment</u>	<u>Percent</u>
Federal National Mortgage Assoc	13%
Federal Home Loan Bank	8%

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.

Note 6 - 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>\$ 210,000</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 180,000</u>	<u>\$ 30,000</u>

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 6 - Long-term Debt (Continued)

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>
2013	\$ 30,000	\$ 9,900	\$ 39,900
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>\$ 180,000</u>	<u>\$ 34,650</u>	<u>\$ 214,650</u>

Note 7 - 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>
2013	\$ 115,000	\$ 55,567	\$ 170,567
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
2018-2022	700,000	163,719	863,719
2023-2025	<u>480,000</u>	<u>36,475</u>	<u>516,475</u>
Total	<u>\$ 1,785,000</u>	<u>\$ 454,266</u>	<u>\$ 2,239,266</u>

Northville Downtown Development Authority

Notes to Financial Statements June 30, 2012

Note 8 - 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 \$86,657. The current year contribution was calculated based on covered payroll of \$68,645, resulting in an employer contribution of \$6,865. 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, 2012

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
Fund Balance - Beginning of year	\$ 1,170,237	\$ 1,170,237	\$ 1,170,237	\$ -
Revenue				
Captured taxes	765,229	754,188	702,413	(51,775)
Federal sources	162,713	326,316	-	(326,316)
Operating levy	70,435	68,207	68,207	-
Financing proceeds	-	-	-	-
Transfers - Primary government	929,263	1,091,730	600,507	(491,223)
Other income	156,125	138,277	138,147	(130)
Total revenue	2,083,765	2,378,718	1,509,274	(869,444)
Expenditures				
Business mix committee	68,400	104,552	71,929	32,623
Design committee	1,871,850	2,266,051	1,012,106	1,253,945
Marketing committee	190,970	194,782	153,891	40,891
Parking committee	141,679	92,769	89,439	3,330
Organizational committee	55,094	54,624	53,450	1,174
Public works	23,390	13,542	15,699	(2,157)
Debt service	41,550	41,550	41,550	-
Debt service - Pass-through commitment	172,743	172,363	172,363	-
Total expenditures	2,565,676	2,940,233	1,610,427	1,329,806
Fund Balance - End of year	\$ 688,326	\$ 608,722	\$ 1,069,084	\$ 460,362