

October 23, 2018

To the Board of Directors
Northville Downtown Development Authority

We have audited the financial statements of Northville Downtown Development Authority (the "DDA") as of and for the year ended June 30, 2018 and have issued our report thereon dated October 23, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 7, 2018, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Northville Downtown Development Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated August 27, 2018.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Northville Downtown Development Authority are described in Note 2 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2018.

We noted no transactions entered into by the DDA during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates; however, we did observe that the methodology for allocation of overhead and street light charges to the DDA by the City are based on estimates implemented many years ago. We encourage the City and the DDA to revisit the current methodology and the related inputs to ensure that these administrative charges are fully substantiated.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the DDA, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the DDA's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2018.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the DDA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board of Directors
Northville Downtown Development Authority

October 23, 2018

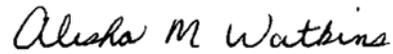
This information is intended solely for the use of Northville Downtown Development Authority and management of City of Northville, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

Handwritten signature of Kristin L. Hunt in cursive script.

Kristin Hunt, CPA

Handwritten signature of Alisha M. Watkins in cursive script.

Alisha M. Watkins, CPA

Northville Downtown Development Authority

(a component unit of the City of Northville, Michigan)

Financial Report
with Supplemental Information
June 30, 2018

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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 City of Northville, Michigan, as of and for the year ended June 30, 2018 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 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 opinion.

Opinion

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, 2018 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 schedule, 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 23, 2018

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, 2019. Please read it in conjunction with the DDA’s financial statements.

Financial Highlights

The DDA staff allocates its time between marketing, business recruitment and retention, planning, parking, administrative duties, and special events. Time is also spent working with the City of Northville, the Northville Central Business Association, and the Chamber of Commerce to achieve and maintain a vibrant and economically viable downtown.

The DDA captured \$646,845 in tax increment revenue. This was an increase of 0.6 percent from the prior year. The DDA levied 1.8158 mills for operations, which generated \$56,823, up 0.8 percent from the prior year.

The State of Michigan reimbursed the DDA \$36,178 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, Skeletons are Alive, and various other events in cooperation with Northville Parks and Recreation, the Northville Arts Commission, and the Chamber of Commerce.

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/governmental fund balance sheet and the statement of activities/governmental fund revenue, expenditures, and changes in fund balance 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 DDA as a Whole

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

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Changes from Prior Year</u>	
				<u>In Dollars</u>	<u>Percent</u>
Assets - Current assets	\$ 429,962	\$ 446,735	\$ 419,793	\$ (26,942)	(6)
Liabilities - Current liabilities	<u>43,438</u>	<u>55,175</u>	<u>37,450</u>	<u>(17,725)</u>	(32)
Net Position - Unrestricted	<u>\$ 386,524</u>	<u>\$ 391,560</u>	<u>\$ 382,343</u>	<u>\$ (9,217)</u>	(2)

The decrease in current liabilities is related to timing of invoices payable at year end and the adjustment to the tax appeal reserve.

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

Summary Condensed Statement of Activities

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Changes from Prior Year</u>	
				<u>In Dollars</u>	<u>Percent</u>
Revenue					
Captured taxes	\$ 639,523	\$ 642,838	\$ 646,845	\$ 4,007	1
Operating levy	56,618	56,375	56,823	448	1
Other income	27,677	18,195	8,570	(9,625)	(53)
Property taxes - Other	<u>26,200</u>	<u>35,677</u>	<u>36,178</u>	<u>501</u>	1
Total revenue	750,018	753,085	748,416	(4,669)	(1)
Expenditures					
Design committee	300,784	200,465	201,252	787	0
Marketing committee	175,704	139,296	140,888	1,592	1
Parking committee	159,080	179,396	167,236	(12,160)	(7)
Organizational committee	51,385	46,021	65,837	19,816	43
Public works	14,727	11,486	10,065	(1,421)	(12)
Debt service - Pass-through commitment	<u>175,415</u>	<u>171,385</u>	<u>172,355</u>	<u>970</u>	1
Total expenditures	<u>877,095</u>	<u>748,049</u>	<u>757,633</u>	<u>9,584</u>	1
Excess of Expenditures (Over) Under Revenue	<u>\$ (127,077)</u>	<u>\$ 5,036</u>	<u>\$ (9,217)</u>	<u>\$ (14,253)</u>	(283)

The decrease in other income is due to less sponsorship revenue and a contribution from the City in the prior year not received in the current year offset by the adjustment to the tax appeal reserve.

The decrease in the parking committee expenditures was due to shifting parking maintenance costs to the City's Parking Fund. The increase in the organizational committee expenditures was due the reallocation of a portion of the Director's wages and fringes from the marketing committee to the organizational committee. The level of public works expenditures varies from year to year due to the amount of service requested by the DDA.

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.

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, 2018

	General Fund	Adjustments (Note 3)	Statement of Net Position - Full Accrual Basis
Assets			
Cash and cash equivalents	\$ 87,550	\$ -	\$ 87,550
Investments (Note 4)	318,482	-	318,482
Other receivables	2,337	-	2,337
Prepaid expenses and other assets	11,424	-	11,424
	<u>\$ 419,793</u>	-	419,793
Liabilities			
Accounts payable	\$ 12,535	-	12,535
Accrued liabilities and other	3,282	21,633	24,915
	15,817	21,633	37,450
Fund Balance/Net Position			
Fund balance:			
Nonspendable - Prepays	11,424	(11,424)	-
Assigned for compensated absences	21,633	(21,633)	-
Unassigned	370,919	(370,919)	-
	<u>403,976</u>	<u>(403,976)</u>	<u>-</u>
	<u>\$ 419,793</u>		
Net position - Unrestricted		<u>\$ 382,343</u>	<u>\$ 382,343</u>

Northville Downtown Development Authority

Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Adjustments (Note 3)	Statement of Net Position
Revenue			
Captured taxes (Note 5)	\$ 646,845	\$ -	\$ 646,845
Operating levy	56,823	-	56,823
Other income	8,570	-	8,570
Personal property tax loss reimbursement	36,178	-	36,178
Total revenue	<u>748,416</u>	<u>-</u>	<u>748,416</u>
Expenditures			
Design committee	199,768	1,484	201,252
Marketing committee	138,513	2,375	140,888
Parking committee	166,741	495	167,236
Organizational committee	65,244	593	65,837
Public works	10,065	-	10,065
Debt service - Pass-through commitment	172,355	-	172,355
Total expenditures	<u>752,686</u>	<u>4,947</u>	<u>757,633</u>
Net Change in Fund Balance/Net Position	(4,270)	(4,947)	(9,217)
Fund Balance/Net Position - Beginning of year	<u>408,246</u>	<u>(16,686)</u>	<u>391,560</u>
Fund Balance/Net Position - End of year	<u>\$ 403,976</u>	<u>\$ (21,633)</u>	<u>\$ 382,343</u>

June 30, 2018

Note 1 - 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 DDA is governed by an appointed eleven-member board of directors (the "board").

The accompanying financial statements pertain to the financial activities of the DDA. In accordance with governmental accounting principles, there are no separate legal entities appropriate to be reported within these financial statements. The DDA financial activities have also been presented within the financial statements of the City of Northville, Michigan (the "City") as a component unit.

Report Presentation

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 or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided and (2) operating grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the DDA considers amounts collected within 60 days of year end to be available for recognition.

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.

Note 1 - Significant Accounting Policies (Continued)

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

Specific Balances and Transactions

Cash and Cash Equivalents 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. 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

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 generally accepted accounting principles and state law 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 board. After the budget is approved by the DDA board, it is then presented to the City of Northville, Michigan for approval prior to the start of the fiscal year. The budget is reviewed by the DDA board and the City on a quarterly basis and amended as necessary.

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

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.

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/governmental fund balance sheet and statement of activities/governmental fund revenue, expenditures, and changes in fund balance. 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/governmental fund balance sheet. 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/governmental fund revenue, expenditures, and changes in fund balance 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; and 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.

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 \$80,578 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, 2018, one bank is utilized for the deposit of DDA funds.

Note 4 - Deposits and Investments (Continued)

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)
Primary Government		
U.S. Treasury securities	\$ 166,804	712
Federal agency bond	134,918	362
Supra National Agency bond	6,898	888
Federal Agency Collateralized Mortgage	1,297	124
Total	<u>\$ 309,917</u>	

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 DDA Portfolio Allocation	Rating	Rating Organization
Money markets	3.00 %	AAAm	S&P
U.S. Treasury	52.00	AA+	S&P
Federal agency bond	43.00	AA+	S&P
Supra National Agency bond	2.00	AAA	S&P

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, 2018, more than 5 percent of the City's investments are in the following agency securities:

Federal Home Loan Banks	6 %
Fannie Mae	23
Freddie Mac	14

Fair Value Measurements

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.

June 30, 2018

Note 4 - Deposits and Investments (Continued)

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.

The DDA has the following recurring fair value measurements as of June 30, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities:				
U.S. Treasury securities	\$ -	\$ 166,804	\$ -	\$ 166,804
Supra National Agency bonds	-	6,898	-	6,898
Federal Agency Bond	-	134,918	-	134,918
Federal Agency Collateralized Mortgage	-	1,297	-	1,297
Total	\$ -	\$ 309,917	\$ -	309,917
Investments measured at NAV -				
Money market				8,565
Total assets				\$ 318,482

The fair value of debt securities at June 30, 2018 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.

Investments in Entities that Calculate Net Asset Value per Share

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.

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 2017 taxable value subject to capture, the taxes captured by the Northville Downtown Development Authority are as shown below.

City of Northville	\$ 377,034
Wayne County	163,619
Wayne County Parks	6,061
Schoolcraft Community College	43,791
Huron Clinton Metropolitan Authority	5,274
Northville District Library	27,944
Wayne County Public Safety	23,122
Total	\$ 646,845

Note 6 - Commitments

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

Years Ending	Principal	Interest	Total
2019	\$ 140,000	\$ 33,170	\$ 173,170
2020	145,000	28,830	173,830
2021	150,000	24,335	174,335
2022	155,000	19,685	174,685
2023	155,000	14,880	169,880
2024-2025	325,000	15,189	340,189
Total	\$ 1,070,000	\$ 136,089	\$ 1,206,089

Note 7 - Retirement Plan

The City of Northville, Michigan sponsors the pension plan on behalf of the Northville Downtown Development Authority. The employer of record for the DDA is the City of Northville, Michigan. 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 11 percent of employees' gross earnings for eligible 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, Michigan's financial statements. Those statements may be obtained by contacting the City of Northville, Michigan, 215 West Main Street, Northville, Michigan 48167.

The DDA's total payroll during the current year was \$110,675. The current year contribution was calculated based on covered payroll of \$78,729, resulting in an employer contribution of \$8,660. 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, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Captured taxes	\$ 658,692	\$ 646,845	\$ 646,845	\$ -
Operating levy	57,854	56,823	56,823	-
Other income	2,300	3,845	8,570	4,725
Personal property tax loss reimbursement	30,000	36,178	36,178	-
Total revenue	<u>748,846</u>	<u>743,691</u>	<u>748,416</u>	<u>4,725</u>
Expenditures/Expenses				
Design committee	165,390	227,207	199,768	27,439
Marketing committee	141,378	146,246	138,513	7,733
Parking committee	181,350	171,915	166,741	5,174
Organizational committee	73,355	66,168	65,244	924
Public works	14,725	13,945	10,065	3,880
Debt service - Pass-through commitment	172,355	172,355	172,355	-
Total expenditures/expenses	<u>748,553</u>	<u>797,836</u>	<u>752,686</u>	<u>45,150</u>
Net Change in Fund Balance	293	(54,145)	(4,270)	49,875
Fund Balance - Beginning of year	<u>408,246</u>	<u>408,246</u>	<u>408,246</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 408,539</u></u>	<u><u>\$ 354,101</u></u>	<u><u>\$ 403,976</u></u>	<u><u>\$ 49,875</u></u>