

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

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**Financial Report**  
**with Supplemental Information**  
**June 30, 2011**

# **Northville Downtown Development Authority**

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## 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, 2011, 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, 2011 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents are not required parts of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

During the year, the DDA implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I. As a result of this required implementation, fund balance classifications in the governmental fund portion of the financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Moran, PLLC

September 28, 2011

# **Northville Downtown Development Authority**

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## **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, 2011. Please read it in conjunction with the City's financial statements.

### **Financial Highlights**

The downtown streetscape enhancement project construction commenced in the year ended June 30, 2011. In addition, design work for the downtown pedestrian walkway was completed which will connect a parking lot directly to Main Street. The primary funding sources for these multi-year projects are Limited Tax General Obligation Development Bonds, tax increment financing revenue, and an MDOT enhancement grant. Both projects will be completed during the next fiscal year.

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 \$145,000 in grants.

The DDA continues sponsoring popular downtown events such as the Friday Night Concerts, Tunes on Tuesday Concerts, the Buy Michigan Now Festival, Movies at the Marquis, 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

	2009	2010	2011	Changes from Prior Year	
				In Dollars	Percent
<b>Assets - Current assets</b>	\$ 926,547	\$ 1,178,977	\$ 1,375,536	\$ 196,559	17
<b>Liabilities</b>					
Current liabilities	127,954	197,980	258,160	60,180	30
Long-term liabilities	240,000	210,000	180,000	(30,000)	(14)
Total liabilities	367,954	407,980	438,160	30,180	
<b>Net Assets - Unrestricted</b>	<b>\$ 558,593</b>	<b>\$ 770,997</b>	<b>\$ 937,376</b>	<b>\$ 166,379</b>	22

The above increase in unrestricted net assets is consistent with the DDA's long-term financial plan. Cash reserves were intentionally increased for continuation of two major projects which commenced during the current fiscal year. Those two projects are the downtown streetscape enhancement project and the downtown walkway project which will connect a parking lot directly to Main Street.

The increase in current liabilities is related to invoices payable at year end for the downtown streetscape enhancement project and for settled 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

	2009	2010	2011	Changes from Prior Year	
				In Dollars	Percent
<b>Revenue</b>					
Captured taxes (Note 5)	\$ 1,197,208	\$ 713,808	\$ 744,181	\$ 30,373	4
Federal sources	-	-	359,564	359,564	-
Operating levy	62,515	71,356	67,537	(3,819)	(5)
Contributions	-	151,359	739,108	587,749	388
Other income	25,777	35,266	23,562	(11,704)	(33)
Total revenue	1,285,500	971,789	1,933,952	962,163	99
<b>Expenditures</b>					
Business mix committee	81,711	76,027	44,935	(31,092)	(41)
Design committee	187,902	367,790	1,219,909	852,119	232
Marketing committee	183,518	165,035	150,710	(14,325)	(9)
Parking committee	113,097	83,185	89,344	6,159	7
Organizational committee	57,170	51,219	53,287	2,068	4
Public works	-	-	30,663	30,663	-
Debt service	15,125	13,475	11,825	(1,650)	(12)
Debt service - Pass-through commitment	100,925	2,654	166,900	164,246	6,189
Total expenditures	739,448	759,385	1,767,573	1,008,188	133
<b>Excess of Revenue Over (Under)</b>					
Expenditures	\$ 546,052	\$ 212,404	\$ 166,379	\$ (46,025)	(22)

The increases in contributions 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 other income is related to two factors. First, investment income continues to decline due to the economy. Secondly, participation at the Movies at the Marquis events was lower this year than in the previous year.

The decrease in expenditures for the business mix committee was expected due to lower participation in the business assistance program this year.

Public works is a new expenditure category which allows DDA staff to better monitor this activity. Last year these costs were included with the design committee.

The DDA changed its website hosting provider resulting in a savings in the marketing committee. In addition, the contribution to Parks & Recreation for the Friday Night Concerts decreased due to budgetary constraints.

The increase in the parking committee expenditures is related to new flooring required in the Cady parking deck stairwell.

# **Northville Downtown Development Authority**

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## **Management's Discussion and Analysis (Continued)**

The first installment of the bonds issued in February 2010 was paid this year. That accounts for the significant increase in debt service – pass-through commitment expenditures.

### **The DDA's Fund**

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

### **General Fund Budgetary Highlights**

The General Fund accounts for all programming, maintenance, construction, and administrative functions of the DDA within the DDA boundaries. The budget is monitored closely and amended 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.

### **Economic Factors and Next Year's Budgets and Rates**

In this difficult economic climate, 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](http://www.downtownnorthville.org).

# Northville Downtown Development Authority

## Statement of Net Assets/Governmental Fund Balance Sheet June 30, 2011

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<b>Assets</b>			
Cash and investments (Note 4)	\$ 1,369,243	\$ -	\$ 1,369,243
Due from other governmental units	5,887	-	5,887
Other assets	406	-	406
	<u>1,375,536</u>	<u>-</u>	<u>1,375,536</u>
<b>Liabilities</b>			
Accounts payable	93,022	-	93,022
Accrued and other liabilities	112,277	22,861	135,138
Long-term debt (Note 6):			
Portion due within one year	-	30,000	30,000
Portion due after one year	-	180,000	180,000
	<u>205,299</u>	<u>232,861</u>	<u>438,160</u>
<b>Net Assets - Fund balances</b>			
Nonspendable - Prepays	394	(394)	-
Committed - Business assistance program	11,567	(11,567)	-
Assigned:		-	-
Parking structure repairs	30,000	(30,000)	-
Boundary expansion	8,812	(8,812)	-
Subsequent year budget expenditures in excess of budgeted revenue	481,910	(481,910)	-
Unassigned	637,554	(637,554)	-
	<u>\$ 1,170,237</u>	<u>(1,170,237)</u>	<u>-</u>
Total fund balance		<u>937,376</u>	<u>937,376</u>
Unrestricted		<u>937,376</u>	<u>937,376</u>
Total net assets		<u>\$ 937,376</u>	<u>\$ 937,376</u>

# Northville Downtown Development Authority

## Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2011

	General Fund	Adjustments (Note 3)	Statement of Activities
<b>Revenue</b>			
Captured taxes (Note 5)	\$ 744,181	\$ -	\$ 744,181
Federal sources	359,564	-	359,564
Operating levy	67,537	-	67,537
Contributions	739,108	-	739,108
Other income	23,562	-	23,562
	<u>1,933,952</u>	<u>-</u>	<u>1,933,952</u>
<b>Expenditures</b>			
Business mix committee	44,374	561	44,935
Design committee	1,219,208	701	1,219,909
Marketing committee	150,149	561	150,710
Parking committee	89,110	234	89,344
Organizational committee	53,006	281	53,287
Public works	30,663	-	30,663
Debt service	43,200	(31,375)	11,825
Debt service - Pass-through commitment	166,900	-	166,900
	<u>1,796,610</u>	<u>(29,037)</u>	<u>1,767,573</u>
<b>Net Change in Fund Balance/Net Assets</b>	137,342	29,037	166,379
<b>Fund Balance/Net Assets - Beginning of year</b>	<u>1,032,895</u>	<u>(261,898)</u>	<u>770,997</u>
<b>Fund Balance/Net Assets - End of year</b>	<u><b>\$ 1,170,237</b></u>	<u><b>\$ (232,861)</b></u>	<u><b>\$ 937,376</b></u>

# Northville Downtown Development Authority

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## Notes to Financial Statements June 30, 2011

### **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 \$744,181 compared to related debt service requirements of \$166,900.

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

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## Notes to Financial Statements June 30, 2011

### **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.

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 \$1,500 and an expected useful life of more than one year. The DDA has no assets that meet this criterion.

# Northville Downtown Development Authority

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## Notes to Financial Statements June 30, 2011

### 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 March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The DDA implemented Statement No. 54 during the year.

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 board of directors for use for specific purposes. Commitments are made and can be rescinded only via resolution of the DDA board of directors
- **Assigned:** Intent to spend resources on specific purposes expressed by the DDA board of directors.

**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.

# Northville Downtown Development Authority

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## Notes to Financial Statements June 30, 2011

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

**Upcoming Reporting Change** - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the Governmental Accounting Standards Board in June 2011 and 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.

### **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.

# Northville Downtown Development Authority

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## Notes to Financial Statements June 30, 2011

### **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.

### **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 8.6 percent of the total portfolio managed by the City.

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2011

### 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 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, 2011, six 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:

Investment	Percentage of Total Portfolio	Standard & Poor's Rating
Bank investment pools	12%	N/A
Federal Home Loan Mortgage Corporation	4%	AAA
Federal National Mortgage Association	14%	AAA
Federal Home Loan Bank	10%	AAA
Commercial paper	10%	A-1
Federal Farm Credit Bank	4%	AAA
Municipal bonds	1%	A
Municipal bonds	1%	A-
Municipal bonds	6%	A+
Municipal bonds	2%	A1
Municipal bonds	6%	AA
Municipal bonds	5%	AA-
Municipal bonds	10%	AA+
Municipal bonds	3%	AAA
Municipal bonds	4%	NR
Municipal bonds	2%	SPI
Municipal bonds	6%	SPI+

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2011

### 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 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 Corporation	4%	873 days
Federal National Mortgage Association	14%	626 days
Federal Home Loan Bank	10%	44 days
Federal Farm Credit Bank	4%	671 days
Municipal bonds	46%	224 days

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

Investment	Percent
Federal National Mortgage Association	13%
Federal Home Loan Bank	9%

### 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.

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2011

### 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:

Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
5.5%	2018	\$ 240,000	\$ -	\$ 30,000	\$ 210,000	\$ 30,000

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

Year	Principal	Interest	Total
2012	\$ 30,000	\$ 11,550	\$ 41,550
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
2017-2018	60,000	4,950	64,950
Total	\$ 210,000	\$ 46,200	\$ 256,200

# Northville Downtown Development Authority

## Notes to Financial Statements June 30, 2011

### 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:

Year	Principal	Interest - Net of Subsidy	Total
2012	\$ 115,000	\$ 56,912	\$ 171,912
2013	115,000	55,567	170,567
2014	120,000	53,736	173,736
2015	120,000	51,240	171,240
2016	125,000	48,432	173,432
2017-2021	675,000	185,461	860,461
2022-2025	<u>630,000</u>	<u>59,833</u>	<u>689,833</u>
Total	<u>\$ 1,900,000</u>	<u>\$ 511,181</u>	<u>\$ 2,411,181</u>

### 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 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.

# **Northville Downtown Development Authority**

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**Notes to Financial Statements  
June 30, 2011**

## **Note 8 - Defined Contribution Pension Plan (Continued)**

The DDA's total payroll during the current year was \$89,996. The current year contribution was calculated based on covered payroll of \$68,595, resulting in an employer contribution of \$6,860. Total payroll is greater than covered payroll because the Department of Public Works wages are not included in the DDA's covered payroll.

## **Required Supplemental Information**

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# Northville Downtown Development Authority

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance from Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 1,032,895	\$ 1,032,895	\$ 1,032,895	\$ -
<b>Revenue</b>				
Captured taxes	736,695	691,509	744,181	52,672
Federal sources	-	523,167	359,564	(163,603)
Operating levy	69,115	67,537	67,537	-
Financing proceeds	-	-	-	-
Transfers - Primary government	1,430,674	896,694	739,108	(157,586)
Other income	31,998	24,288	23,562	(726)
Total revenue	2,268,482	2,203,195	1,933,952	(269,243)
<b>Expenditures</b>				
Business mix committee	88,330	71,945	44,374	27,571
Design committee	2,085,519	1,575,277	1,219,208	356,069
Marketing committee	178,070	187,892	150,149	37,743
Parking committee	86,812	92,965	89,110	3,855
Organizational committee	50,931	59,602	53,006	6,596
Public works	-	31,200	30,663	537
Contingencies	48,400	-	-	-
Debt service	43,200	43,200	43,200	-
Debt service - Pass-through commitment	166,900	166,900	166,900	-
Total expenditures	2,748,162	2,228,981	1,796,610	432,371
<b>Fund Balance - End of year</b>	<b>\$ 553,215</b>	<b>\$ 1,007,109</b>	<b>\$ 1,170,237</b>	<b>\$ 163,128</b>