

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Downtown Development Authority of the Charter Township of Van Buren</u>	County Wayne
Audit Date December 31, 2003	Opinion Date April 15, 2004	Date Accountant Report Submitted To State: June 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 350 S. Main Street, Suite 200	City Ann Arbor	State MI	ZIP 48104-1923
Accountant Signature <i>Plante & Moran, PLLC</i>			

**Downtown Development Authority of the
Charter Township of Van Buren
Wayne County, Michigan**

**Financial Report
December 31, 2003**

Downtown Development Authority of the Charter Township of Van Buren

Contents

Report Letter	1
Basic Financial Statements	
Governmental Fund Balance Sheet/Statement of Net Assets (Deficit)	2
Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities	3
Budgetary Comparison Schedule - Governmental Fund	4
Notes to Financial Statements	5-9



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Independent Auditor's Report

To the Board of Directors
Downtown Development Authority
of the Charter Township of Van Buren
Wayne County, Michigan

We have audited the accompanying basic financial statements of the Downtown Development Authority of the Charter Township of Van Buren (a component unit of the Charter Township of Van Buren) as of December 31, 2003 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Downtown Development Authority of the Charter Township of Van Buren's management. 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 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Development Authority of the Charter Township of Van Buren as of December 31, 2003 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

As described in Note I, the Downtown Development Authority of the Charter Township of Van Buren has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of January 1, 2003.

Plante & Moran, PLLC

April 15, 2004

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Downtown Development Authority of the Charter Township of Van Buren

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) December 31, 2003

	Governmental Fund	Adjustments (Note 1)	Statement of Net Assets (Deficit)
Assets			
Cash and cash equivalents (Note 3)	\$ 1,631,815	\$ -	\$ 1,631,815
Property tax receivable	1,168,085	-	1,168,085
Restricted assets (Note 6)	850,000	-	850,000
Depreciable capital assets - Net (Note 4)	-	1,225,790	1,225,790
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 3,649,900</u>	1,225,790	4,875,690
Liabilities			
Accounts payable	\$ 7,733	-	7,733
Accrued and other liabilities	-	98,490	98,490
Due to other governmental units	2,700	-	2,700
Deferred revenue	1,168,085	-	1,168,085
Noncurrent liabilities (Note 5):			
Due within one year	-	125,000	125,000
Due in more than one year	-	4,565,000	4,565,000
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,178,518	4,788,490	5,967,008
Fund Balance/Net Assets (Deficit)			
Invested in capital assets	-	1,225,790	1,225,790
Reserved/Restricted for debt service	500,000	-	500,000
Reserved/Restricted for working capital reserve	350,000	-	350,000
Unreserved/Unrestricted	1,621,382	(4,788,490)	(3,167,108)
	<u> </u>	<u> </u>	<u> </u>
Total fund balance/net assets (deficit)	2,471,382	<u>\$ (3,562,700)</u>	<u>\$ (1,091,318)</u>
Total liabilities and fund balance	<u>\$ 3,649,900</u>		

Downtown Development Authority of the Charter Township of Van Buren

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended December 31, 2003

	Governmental Fund	Adjustments (Note 1)	Statement of Activities
Revenues			
Property taxes	\$ 1,514,409	\$ -	\$ 1,514,409
Interest income	23,022	-	23,022
	<u>1,537,431</u>	<u>-</u>	<u>1,537,431</u>
Expenditures			
Administrative	65,738	-	65,738
Capital outlay and other	43,890	(17,800)	26,090
Depreciation	-	82,498	82,498
Debt service:			
Debt principal	100,000	(100,000)	-
Debt interest	402,360	(2,100)	400,260
	<u>611,988</u>	<u>(37,402)</u>	<u>574,586</u>
Excess of Revenues Over Expenditures/ Change in Net Assets	925,443	37,402	962,845
Fund Balance/Net Assets (Deficit) - Beginning of year	<u>1,545,939</u>	<u>(3,600,102)</u>	<u>(2,054,163)</u>
Fund Balance/Net Assets (Deficit) - End of year	<u><u>\$ 2,471,382</u></u>	<u><u>\$ (3,562,700)</u></u>	<u><u>\$ (1,091,318)</u></u>

Downtown Development Authority of the Charter Township of Van Buren

Budgetary Comparison Statement Governmental Fund Year Ended December 31, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property taxes	\$ 1,275,000	\$ 1,371,000	\$ 1,514,409	\$ 143,409
Interest income	72,000	22,500	23,022	522
Total revenues	1,347,000	1,393,500	1,537,431	143,931
Expenditures				
Administrative	50,700	65,635	65,738	(103)
Capital outlay and other	310,000	111,300	43,890	67,410
Debt service:				
Debt principal	100,000	100,000	100,000	-
Debt interest	402,360	402,360	402,360	-
Total expenditures	863,060	679,295	611,988	67,307
Excess of Revenues Over Expenditures/ Change in Net Assets	483,940	714,205	925,443	211,238
Fund Balance/Net Assets - Beginning of year	1,545,939	1,545,939	1,545,939	-
Fund Balance/Net Assets - End of year	<u>\$ 2,029,879</u>	<u>\$ 2,260,144</u>	<u>\$ 2,471,382</u>	<u>\$ 211,238</u>

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note 1 - Significant Accounting Policies

The Downtown Development Authority (the "Authority") of the Charter Township of Van Buren (the "Township") is organized pursuant to the State of Michigan Public Act No. 197 of 1975. The primary purpose of the Authority is to encourage economic activity in the Township. This purpose is accomplished by the Authority collecting captured property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority district boundaries.

Effective January 1, 2003, the Downtown Development Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Changes as a result of Statement No. 34 include the presentation of combined governmental fund modified accrual and government-wide full accrual financial statements. As of and for the year ended December 31, 2003, adjustments were made to the amounts in the governmental fund for capital assets, long-term debt, and related accrued interest in order to arrive at the government-wide full accrual financial statements. The Authority has elected not to present a management's discussion and analysis.

The Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2003.

Basis of Accounting

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. There are no component units required to be included in these financial statements.

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note 1 - Significant Accounting Policies (Continued)

The following is a summary of the significant accounting policies:

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) 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. For the purpose of the government-wide financial statements, the Authority reports a liability for the outstanding 1995 Downtown Development Authority Bonds which will be repaid through captured property taxes in future periods. A significant portion of the Authority's activities in previous years related to investments in infrastructure that are the property of and are reported as an asset in the basic financial statements of the Charter Township of Van Buren, Michigan rather than in the Authority's financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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, generally 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 are recorded only when payment is due.

Note 2 - Budget Information

The annual budget is prepared by the Authority Board and adopted by the Township Board; subsequent amendments are approved by the Authority Board and approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2003 has not been calculated. During the current year, the budget was amended in a legally permissible manner. The budget has been adopted on a line-item basis and has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budget as adopted by the Authority Board is included in the financial statements.

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note 3 - Cash and Cash Equivalents

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 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.

The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's investments are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ 1,631,815
Restricted assets (Note 6)	<u>850,000</u>
Total	<u>\$ 2,481,815</u>

The above amounts are all classified by Governmental Accounting Standards Board Statement No. 3 as investments in securities, mutual funds, and similar vehicles.

The Authority's investments during the year consisted solely of bank investment pools and mutual funds. There was \$2,481,815 invested in such pools and funds at December 31, 2003. The bank investment pools and mutual funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Authority believes that the investments in the funds comply with the investment authority noted above.

The mutual funds are registered with the SEC and the bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the pool is the same as the value of the pool shares.

Downtown Development Authority of the Charter Township of Van Buren

Notes to Financial Statements December 31, 2003

Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance January 1, 2003	Additions	Disposals and Adjustments	Balance December 31, 2003
Capital assets being depreciated - Land improvements	\$ 1,366,697	\$ 17,800	\$ -	\$ 1,384,497
Accumulated depreciation - Land improvements	<u>76,209</u>	<u>82,498</u>	<u>-</u>	<u>158,707</u>
Net capital assets being depreciated	<u>\$ 1,290,488</u>	<u>\$ (64,698)</u>	<u>\$ -</u>	<u>\$ 1,225,790</u>

Note 5 - Long-term Debt

The Authority's debt consists of a 1995 revenue bond bearing interest at 8.4 percent and maturing through 2016.

The annual requirements to service the outstanding debt are as follows:

Years Ending December 31	Principal	Interest	Total
2004	\$ 125,000	\$ 393,960	\$ 518,960
2005	155,000	383,460	538,460
2006	185,000	370,440	555,440
2007	215,000	354,900	569,900
2008	250,000	336,840	586,840
2009-2013	1,915,000	1,297,380	3,212,380
2014-2016	<u>1,845,000</u>	<u>323,400</u>	<u>2,168,400</u>
Total	<u>\$ 4,690,000</u>	<u>\$ 3,460,380</u>	<u>\$ 8,150,380</u>

Note 6 - Restricted Assets

Restricted assets as of December 31, 2003 consist of cash and cash equivalents totaling \$850,000. These assets are restricted for the purposes of the 1995 revenue bond debt of which \$500,000 is for debt service reserves and \$350,000 is for working capital reserves. Fund balance/net assets have been reserved/restricted for \$850,000.

Downtown Development Authority of the Charter Township of Van Buren

**Notes to Financial Statements
December 31, 2003**

Note 7 - Risk Management

The Authority is exposed to various risks of loss related to torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority is covered by insurance purchased by the Township for all claims.