Michigan Dept. of Treasury, Local Audit & Finance Division
496 (3-98), Formerly L-3147

# AUDITING PROCEDURES REPORT

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

| Local Government Type | Local Government Name | County |
|---|---|---|
| ☐ City ☐ Township ☐ Village ☒ Other | VILLAGE OF DEXTER - LDFA | WASHTENAW |

| Audit Date | Opinion Date | Date Accountant Report Submitted to State: |
|---|---|---|
| 2-29-04 | 7-21-04 | 8-26-04 |

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.

RECEIVED
DEPT. OF TREASURY
AUG 30 2004
LOCAL AUDIT & FINANCE DIV.

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.

☐ yes ☑ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ yes ☑ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ yes ☑ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ yes ☑ 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.

☐ yes ☑ 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]).

☐ yes ☑ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ yes ☑ 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).

☐ yes ☑ 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).

☐ yes ☑ 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. PG 12 | X | | |
| Reports on individual federal financial assistance programs (program audits). | | | X |
| Single Audit Reports (ASLGU). | | | X |

| Certified Public Accountant (Firm Name) BERTHIAUME & COMPANY CPA'S | | | |
|---|---|---|---|
| Street Address 60 HARROW LANE | City SAGINAW | State MI | ZIP 48603 |
| Accountant Signature Kenneth O. Berthiaume | | | |

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# INDEPENDENT AUDITORS' REPORT

To the Board of the
Dexter Village Local Development Finance Authority
Dexter, Michigan

We have audited the accompanying financial statements as of and for the year ended February 29, 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority'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 general purpose 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Dexter Village Local Development Finance Authority as of February 29, 2004 and the results of its operations and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America..

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The financial statements of individual funds, combining and supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Berthiaume & Co.

July 21, 2004

*ALL FUNDS AND ACCOUNT GROUPS*

# COMBINED BALANCE SHEET

February 29, 2004

| | *GOVERNMENTAL FUND TYPE* | *ACCOUNT GROUPS* | |
|---|---|---|---|
| | *General* | *General Long-Term Debt* | *Totals (Memorandum Only)* |
| **ASSETS:** | | | |
| Cash | $ 2,168,552 | $ - | $ 2,168,552 |
| Due from other governmental unit | 547,174 | - | 547,174 |
| Amount to be provided for retirement of general long-term debt | - | 1,758,484 | 1,758,484 |
| Total assets | $ 2,715,726 | $ 1,758,484 | $ 4,474,210 |
| **LIABILITIES & FUND EQUITY:** | | | |
| ***Liabilities:*** | | | |
| Accounts payable | $ - | $ - | $ - |
| Due to other governmental units | 472,293 | - | 472,293 |
| Long-term obligations | - | 1,758,484 | 1,758,484 |
| Total liabilities | 472,293 | 1,758,484 | 2,230,777 |
| ***Fund Equity:*** | | | |
| Fund balance: | | | |
| Unreserved | 2,243,433 | - | 2,243,433 |
| Total fund equity | 2,243,433 | | 2,243,433 |
| Total liabilities and fund equity | $ 2,715,726 | $ 1,758,484 | $ 4,474,210 |

*The accompanying notes are an integral part of these financial statements.*

*GENERAL FUND*

# STATEMENT OF REVENUES, EXPENDITURES, OTHER FINANCING SOURCES AND (USES), AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended February 29, 2004

| | *Budget* | *Actual* | *Variance Favorable (Unfavorable)* |
|---|---|---|---|
| **REVENUES:** | | | |
| Property taxes | $ 1,174,000 | $ 1,190,345 | $ 16,345 |
| Interest income | 20,000 | 9,341 | (10,659) |
| Total revenues | 1,194,000 | 1,199,686 | 5,686 |
| **EXPENDITURES:** | | | |
| Contribution to: | | | |
| County Economic Development Council | 7,500 | 7,500 | - |
| Legal and professional | 3,875 | 2,850 | 1,025 |
| Other administrative | 3,200 | 1,538 | 1,662 |
| Debt Service: | | | |
| Principal | 756,742 | 756,742 | - |
| Interest | 74,616 | 74,590 | 26 |
| Fees | 575 | 575 | - |
| Total expenditures | 846,508 | 843,795 | 2,713 |
| Excess (deficiency) of revenues over expenditures | 347,492 | 355,891 | (8,399) |
| Fund balance, beginning of year | 1,887,542 | 1,887,542 | - |
| Fund balance, end of year | $ 2,235,034 | $ 2,243,433 | $ (8,399) |

*The accompanying notes are an integral part of these financial statements.*

# NOTES TO FINANCIAL STATEMENTS

February 29, 2004

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Dexter Village Local Development Finance Authority (LDFA) was formed as the result of a resolution of the Village Council May 26, 1987. The Village of Dexter created the LDFA by the authority of Act 281, Public Acts of Michigan, 1986.

The purpose of the LDFA is to promote the economic growth of the Village.

Plans for the LDFA and a related Tax Increment Finance Plan call for the LDFA to capture certain property taxes on certain property improvements in the new Dexter Business and Research Park. Tax revenues collected by the LDFA on these properties within its boundaries will be used to service various loans or bond issues. See related note concerning Long-Term Debt. The proceeds of these bond issues were used by the Village for infrastructure improvements at the Dexter Business and Research Park.

The accounting policies of the Dexter Village Local Development Finance Authority conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

### (a) THE REPORTING ENTITY

The Authority has adopted the position of the Government Accounting Standards Board regarding the definition of the reporting entity and component units.

The Authority is discretely presented in the financial statements of the Village of Dexter as it has been determined to be a component unit of the Village of Dexter for financial reporting purposes.

The LDFA has had numerous transactions involving the Village of Dexter relative to the Construction of the Dexter Industrial Park, sale of lots in the industrial park and bond issue matters. The Village of Dexter, in this connection, has pledged its backing on the LDFA Long-Term Debt. See related note concerning Long-Term Debt.

### (b) FUND ACCOUNTING

The accounts of the Authority are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures or expenses, as appropriate. The various funds and account groups are grouped as follows in the financial statements. The Authority presently has just a general fund.

#### GOVERNMENTAL FUND TYPES

GENERAL FUND - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

#### ACCOUNT GROUPS:

GENERAL LONG-TERM DEBT ACCOUNT GROUP - This account group presents the balance of general obligation long-term debt.

# NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

### (c) BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

### (d) TOTAL COLUMN IS "MEMORANDUM ONLY"

The total column on the combined financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures for the budgetary funds have been shown.

## NOTE 3 - CASH AND INVESTMENTS

The Authority's deposits at February 29, 2004 are included on the balance sheet under the heading of cash.

The book value of cash deposits of $2,168,552 consisted of a demand deposits accounts and certificates of deposit at two local banks. The actual bank balance was $2,168,076. The bank balance of $200,000 is covered by FDIC insurance (credit risk category #1).

The authority had no investments as of February 29, 2004.

Deposits are in accordance with statutory authority.

# NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

## NOTE 4 - GENERAL LONG-TERM DEBT

The following is a summary of changes in the principal balance of general long-term debt of the LDFA during the year ended February 29, 2004:

| | *Balance 3/1/03* | *Additions* | *Deductions* | *Balance 2/29/04* |
|---|---|---|---|---|
| 1988 Village of Dexter G.O. Bonds | $ 125,000 | $ - | $ 125,000 | $ - |
| 1999 Contract Payable to Village (1999 Water Project) | 530,325 | - | 176,775 | 353,550 |
| 1999 Contract Payable to Village (2000 Sewer Project) | 344,901 | - | 114,967 | 229,934 |
| 1999 LDFA Limited Tax G.O., Local Development Refunding Bonds (paid off 1991 Bonds) | 1,515,000 | - | 340,000 | 1,175,000 |
| Total | $ 2,515,226 | $ - | $ 756,742 | $ 1,758,484 |

Following is a detailed description of each of the above debts:

**OBLIGATIONS IN THE NAME OF AND BACKED BY THE FULL FAITH AND CREDIT OF THE VILLAGE OF DEXTER:**

**General Obligation Bonds - 1988**

General Obligation bonds were issued April 1, 1988 in the amount of $1,100,000. The bonds mature serially from 1991 to 2004 in amounts ranging from $35,000 to $125,000 annually. The interest rate ranges from 5.7% to 8.7%.

# NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

## NOTE 4 CONTINUED:

### OBLIGATIONS IN THE NAME OF THE LDFA OF THE VILLAGE OF DEXTER BACKED BY THE *LIMITED TAX,* FULL FAITH, AND CREDIT OF THE VILLAGE OF DEXTER:

**1999 Contracts Payable to Village of Dexter:**

In accordance with the 1998 Revised Tax Increment Financing Plan, the LDFA has agreed to pay thirty percent (30%) of the cost of the 1999-2000 Village water and sewer system improvement costs.

In 1999 the LDFA has agreed to pay to the Village $1,060,650, in six equal payments over six (6) years, for the 1999 Village water system improvements.

In 1999 the LDFA also agreed to pay to the Village $1,189,800 for the 2000 Village sewage disposal system improvements. During the 1999-2000 fiscal year $500,000 was paid to the Village for this project. The balance of $689,800 will be paid to the Village in six equal payments over six years.

**1999 Local Development Refunding Bonds:**

1999 Local Development Refunding Bonds General Obligation, Limited Tax Issue of $2,070,000 dated August 19, 1999, maturing April 1, (principal and interest) and October (interest). Interest rate: 4:1% to 5.0%.

The annual requirements to pay all debt outstanding at February 29, 2004, including interest payments of $94,768 are as follows:

| | | |
|---|---|---|
| 2005 | $ | 681,307 |
| 2006 | | 669,695 |
| 2007 | | 502,250 |
| Thereafter | | - |
| Total | $ | 1,853,252 |

# NOTES TO FINANCIAL STATEMENTS, continued

February 29, 2004

## NOTE 5 - PROPERTY TAXES

The Dexter Village LDFA is authorized to capture certain tax levies of other governmental units on properties within the LDFA district. A "floor" of $30,000 of real property value and $832,600 of personal property value is not captured by the LDFA. Also, the LDFA does not capture the various "debt" levies of the other governmental units. In addition, and as a result of Proposal A, the capture of school taxes is limited to the amount required to service pre-Proposal A LDFA debt obligations.

A summary of the captured 2003 tax levy follows:

| | *Regular Captured Amount* | *Less: Proposal A Adjustment* | *Adjusted Captured Amount* |
|---|---|---|---|
| State Education Tax | $ 165,889 | $ 54,797 | $ 111,092 |
| Dexter Schools | 536,077 | 177,078 | 358,999 |
| Dexter Library | 12,693 | - | 12,693 |
| Washtenaw Intermediate School | 86,082 | 28,435 | 57,647 |
| Washtenaw Community College | 96,502 | - | 96,502 |
| Washtenaw County | 156,849 | - | 156,849 |
| Scio Township | 27,191 | - | 27,191 |
| Village of Dexter | 369,372 | - | 369,372 |
| | $ 1,450,655 | $ 260,310 | $ 1,190,345 |

The captured 2003 tax levy is intended to cover "debt payment year" August 1, 2003 through July 31, 2004.

From its inception through February 29, 2004 the LDFA has captured property taxes in the amount of ~~$10,225,406~~.

# 11,155,441

*SUPPLEMENTAL MATERIAL*

# SCHEDULE OF LONG-TERM DEBT

February 29, 2004

| | *Fiscal Year End* | *FISCAL YEAR* *Interest Amount Due* | *Principal Amount Due* |
|---|---|---|---|
| **1999 Contract Payable to Village of Dexter,** LDFA portion (30%) of 1999 Village of Dexter water supply system project costs | 2005 | - | 176,775 |
| | 2006 | - | 176,665 |
| Total amount due | | - | 353,550 |
| **1999 Contract Payable to Village of Dexter,** LDFA portion (30%) of 2000 A&B Village of Dexter sewer disposal system project costs | 2005 | - | 114,967 |
| | 2006 | - | 114,967 |
| Total amount due | | - | 229,934 |
| **1999 Local Development Refunding Bonds,** General Obligation, Limited Tax Issue of $2,070,000 dated August 19, 1999, maturing April 1, (principal and interest) and October 1, (interest) Interest rate: 4.1% to 5.0% | 2005 | 49,565 | 340,000 |
| | 2006 | 32,953 | 345,000 |
| | 2007 | 12,250 | 490,000 |
| Total amount due | | 94,768 | 1,175,000 |
| TOTAL | | $ 94,768 | $ 1,758,484 |

## SCHEDULE OF LONG-TERM DEBT, continued

February 29, 2004

The annual payments required to amortize all long-term debt outstanding as of February 29, 2004, including interest payments to maturity are as follows:

| *Fiscal Year Ended February* | *1999 Village Contracts Payable* | *1999 Refunding LTGO Bonds* | *Total* |
|---|---|---|---|
| 2005 | $ 291,742 | $ 389,565 | $ 681,307 |
| 2006 | 291,742 | 377,953 | 669,695 |
| 2007 | - | 502,250 | 502,250 |
| | $ 583,484 | $ 1,269,768 | $ 1,853,252 |

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# MANAGEMENT LETTER

To the Board of Directors
Dexter Village Local Development Finance Authority

We have audited the financial statements of Dexter Village Local Development Finance Authority for the year ended February 29, 2004, and have issued our report thereon dated July 21, 2004. As part of our examination, we made a study and evaluation of the Authority's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Authority's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

The Authority's administration is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide the administration with reasonable, but not absolute assurance that assets are safeguarded against unauthorized use or disposition and that transactions are executed in accordance with the administration's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may, nevertheless, occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of Dexter Village Local Development Finance Authority taken as a whole. Our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of the Authority management and should not be used for any other purpose.

We wish to extend our appreciation to you and your staff for the assistance accorded us during our audit.

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

July 21, 2004