Downtown Development Authority of the Charter Township of Van Buren

Wayne County, Michigan

Financial Report

with Supplemental Information

December 31, 2020

Contents

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Independent Auditor's Report

To the Board of Directors
Downtown Development Authority
of the Charter Township of Van Buren

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Van Buren (the "Township") as of and for the year ended December 31, 2020, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 21, 2021, which contained an unmodified opinion on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, the General Fund, and the aggregate remaining fund information. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to May 21, 2021.

In Relation to Opinion on Accompanying Financial Statements

The financial statements of the Downtown Development Authority (the "Authority") are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Required Supplemental Information

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

May 21, 2021

As management of the Downtown Development Authority of the Charter Township of Van Buren (the "DDA" or the "Authority"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2020. Please read it in conjunction with the Charter Township of Van Buren's (the "Township") financial statements.

Financial Highlights

- In 2012, the DDA issued Limited Tax General Obligation Development Bonds in the amount of $4.9 million for the construction and improvements at Belleville and Ecorse roads. The Authority pledged its tax increment revenue as security for the payment of these bonds. The DDA continues to make payments and maintains a bond reserve fund. The DDA has agreed to continue to maintain the landscape at the Belleville and Ecorse roads intersection project area, as required by Wayne County, Michigan.
- In 2014, the DDA issued Limited Tax General Obligation Development Bonds in the amount of $2.6 million to finance a portion of the costs to design, acquire, construct, and purchase components of certain development projects, including, but not limited to, street construction and reconstruction, paving, boulevard improvements, service drive improvements, curb and gutter, sidewalk improvements, drainage and storm sewer improvements, streetscape improvements, pedestrian crossings, utilities, traffic control devices, lighting, street and directional signage, landscaping and irrigation, restoration, and any other public improvements included in the development projects included in the plan, together with all work necessary or incidental to the improvements. The Authority pledged its tax increment revenue as security for the payment of these bonds. The DDA continues to make payments and maintains a bond reserve fund.
- Wayne County, Michigan requires that the DDA maintain certain areas of land within the Belleville Road streetscape.
- Rights-of-way acquisition began in 2016 along Belleville Road between Tyler and Ecorse roads. The DDA would like to eventually install sidewalks/pathways to make the entire downtown area pedestrian friendly. For the present time, the DDA has acquired as many as possible and will continue to do so as opportunities arise.
- The DDA acquired property in the heart of the business district along Belleville Road and has constructed a placemaking project, which is now known as Harris Park. It gets its name from a longtime family that lived at this location. It was developed to be a gathering place within the business district. Harris Park provides a safe and welcoming environment for the public to exercise on the walking path, rest on a bench, or enjoy a snack/meal while socializing under a pavilion. It even includes public Wi-Fi and charging stations for its users. Harris Park includes a community reader board that provides information and activities within the Township’s DDA.
- The business district along Belleville Road is bisected by Interstate 94. In an effort to provide a safer and more uniform connection between the north and south half of the business area, the DDA was awarded TAP grant funding and design services through MDOT to assist with the installation of a shared-use path and bridge widening along Belleville Road. This project was open for use in 2019, and the project should be closed out by the end of 2021. In 2018, the DDA issued Limited Tax General Obligation Development Bonds in the amount of $1.9 million to finance a portion of the costs. The Authority pledged its tax increment revenue as security for the payment of these bonds. The DDA continues to make payments and maintains a bond reserve fund for this issue.
- The DDA also partnered with the Charter Township of Van Buren and the Van Buren Civic Fund to finance improvements to Quirk Park. The DDA’s contribution was $480,000 for a splash pad, as well as providing oversight of the project.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority'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 the reader how the taxpayers' resources were spent during the year and how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds. The fiduciary fund statements provide financial information about activities for which the Authority acts solely as a trustee or agent for the benefit of those outside of the government.

Summary Condensed Statement of Net Position

	Governmental Activities			
	2019	2020	Change	Percent Change
Assets				
Current and other assets	$ 5,770,395	$ 6,684,107	$ 913,712	15.8
Capital assets	3,771,574	3,677,064	(94,510)	(2.5)
Total assets	9,541,969	10,361,171	819,202	8.6
Deferred Outflows of Resources	-	1,982	1,982	-
Liabilities	7,417,027	6,933,213	(483,814)	(6.5)
Deferred Inflows of Resources	1,512,300	1,599,214	86,914	5.7
Net Position				
Net investment in capital assets	2,040,461	1,971,218	(69,243)	(3.4)
Restricted	673,158	674,332	1,174	0.2
Unrestricted	(2,100,977)	(814,824)	1,286,153	(61.2)
Total net position	**$ 612,642**	**$ 1,830,726**	**$ 1,218,084**	198.8

The above increase in unrestricted net position is consistent with the DDA's long-term financial plan: (1) the development and completion of the DDA's placemaking project in the heart of the DDA's business district, now known as Harris Park, and the DDA's headquarters; (2) the completion and closeout of the pedestrian bridge over I-94 that links the north and south sides of the DDA's business district and provides safe passage for pedestrians; (3) in 2015 and 2016, the DDA acquired a number of rights-of-way, which allowed the DDA to install approximately 1,575 feet of sidewalk on Belleville Road and approximately 1,335 feet of pathway along the north side of the I-94 north service drive; (4) continuing to add additional sidewalks/pathways in the DDA district to eventually become a complete pedestrian-friendly area; (5) the acquisition of approximately 29 rights-of-way on Belleville Road for eventual completion of road improvements and sidewalk/pathway installation between Tyler and Ecorse roads; (6) continuation of the Belleville Road streetscape project, consisting of those features listed in the approved streetscape design; (7) completion of the Belleville road signal improvement and roadway rehabilitation project, which addressed the many accidents that occurred due to poor signal timing and much-needed safety improvements; (8) and a determined marketing campaign to promote economic development within the district. The DDA reviewed and prioritized its plan in January 2020. Due to the COVID-19 pandemic, the plan will need to be reviewed to consider the cash balance in 2020 and prioritize its projects over the next five years in order to continue working toward the completion of the updated plan.

The long-term liabilities decreased in 2020, as the DDA made regularly scheduled payments on debt.

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

Summary Condensed Statement of Activities

	Governmental Activities			
	2019	2020	Change	Percent Change
Revenue				
Property taxes	$ 1,801,993	$ 1,938,633	$ 136,640	7.6
Unrestricted investment income and other	100,942	61,827	(39,115)	(38.7)
Total revenue	1,902,935	2,000,460	97,525	5.1
Expenditures				
Administrative	565,236	292,187	(273,049)	(48.3)
Infrastructure improvements and other	846,255	106,164	(740,091)	(87.5)
Depreciation and amortization	76,257	136,254	59,997	78.7
Debt service	259,994	247,771	(12,223)	(4.7)
Total expenditures	1,747,742	782,376	(965,366)	(55.2)
Change in Net Position	155,193	1,218,084	1,062,891	684.9
Net Position - Beginning of year	457,449	612,642	155,193	33.9
Net Position - End of year	**$ 612,642**	**$ 1,830,726**	**$ 1,218,084**	198.8

Even during the COVID-19 pandemic, the DDA continued to see a steady, consistent growth within the district. During 2020, two new businesses opened, a restaurant and a lounge. Also, during 2020, two businesses changed “business models/franchise” and are in the process of remodeling the existing buildings. The DDA continues to see low vacancy rates with existing buildings. The DDA did not experience any business closures resulting in building vacancy, and there are new commercial developments in the planning stages.

The DDA's infrastructure improvements decreased slightly due to the completion of the placemaking project and pedestrian bridge, as well as the impact on 2020 projects due to the COVID-19 restrictions.

The DDA's Fund

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

Budgetary Highlights

The Governmental Fund accounts for all programming, maintenance, construction, and administrative functions of the DDA within the DDA boundaries. The budget is monitored closely and amended as needed. The Authority's board of directors determines how DDA resources are allocated in accordance with the plan.

Capital Assets and Debt Administration

The DDA contributes financial support to the Charter Township of Van Buren for administration and some maintenance within the DDA's boundaries. These costs are recorded in the financial statements.

Economic Factors and Next Year's Budgets and Rates

The DDA is preparing for moderate growth in the economy, which will affect future property values. The DDA will continue to balance resources with operational commitments and needed infrastructure improvements as funding dictates.

Requests for Further Information

This financial report is intended to provide a general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional information, please contact the Authority at 10151 Belleville Road, Van Buren Township, MI 48111. This report, township budgets, and other financial information are available on the Authority's website at www.vanburendda.com.

Downtown Development Authority of the Charter Township of Van Buren

Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2020

	Governmental Fund	Adjustments (Note 3)	Statement of Net Position - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 5)	$ 4,877,241	$ -	$ 4,877,241
Receivables	11,673	-	11,673
Prepaid expenses and other assets	405	-	405
Restricted assets	1,435,288	-	1,435,288
Net OPEB asset	-	359,500	359,500
Capital assets: (Note 6)			
Assets not subject to depreciation	-	426,262	426,262
Assets subject to depreciation - Net	-	3,250,802	3,250,802
Total assets	6,324,607	4,036,564	10,361,171
Deferred Outflows of Resources - Deferred outflows related to OPEB (Note 9)	-	1,982	1,982
Total assets and deferred outflows of resources	**$ 6,324,607**	4,038,546	10,363,153
Liabilities			
Accounts payable	$ 11,851	-	11,851
Accrued liabilities and other	5,129	59,483	64,612
Noncurrent liabilities: (Note 7)			
Due within one year	-	433,567	433,567
Due in more than one year - Long-term debt	-	6,423,183	6,423,183
Total liabilities	16,980	6,916,233	6,933,213
Deferred Inflows of Resources			
Property taxes levied for the following year (Note 2)	1,436,386	-	1,436,386
Deferred OPEB cost reductions (Note 9)	-	162,828	162,828
Total deferred inflows of resources	1,436,386	162,828	1,599,214
Equity			
Fund balance:			
Nonspendable - Prepaids	405	(405)	-
Restricted:			
Debt service	1,341,003	(1,341,003)	-
Capital projects (unspent bond proceeds)	94,285	(94,285)	-
Unassigned	3,435,548	(3,435,548)	-
Total fund balance	4,871,241	(4,871,241)	-
Total liabilities, deferred inflows of resources, and fund balance	**$ 6,324,607**		
Net position:			
Net investment in capital assets		1,971,218	1,971,218
Restricted - Debt service		674,332	674,332
Unrestricted		(814,824)	(814,824)
Total net position		**$ 1,830,726**	**$ 1,830,726**

Downtown Development Authority of the Charter Township of Van Buren

Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2020

	Governmental Fund	Adjustments (Note 3)	Statement of Activities - Full Accrual Basis
Revenue			
Property taxes	$ 1,938,633	$ -	$ 1,938,633
Interest income	61,827	-	61,827
Total revenue	2,000,460	-	2,000,460
Expenditures			
Administrative	547,427	(255,240)	292,187
Infrastructure improvements and other	147,908	(41,744)	106,164
Depreciation	-	136,254	136,254
Debt service:			
Debt principal	415,000	(415,000)	-
Debt interest	250,382	(2,611)	247,771
Total expenditures	1,360,717	(578,341)	782,376
Excess of Revenue Over Expenditures	639,743	578,341	1,218,084
Fund Balance/Net Position - Beginning of year	4,231,498	(3,618,856)	612,642
Fund Balance/Net Position - End of year	**$ 4,871,241**	**$ (3,040,515)**	**$ 1,830,726**

See notes to financial statements.

Note 1 - Nature of Business

The Downtown Development Authority of the Charter Township of Van Buren (the "Authority" or the "DDA") is organized pursuant to State of Michigan Public Act No. 57 of 2018. The primary purpose of the Authority is to encourage economic activity in the Charter Township of Van Buren (the "Township"). The purpose is accomplished by the Authority collecting property taxes under a tax increment financing plan in accordance with state law and budgeting expenditures for improvements in the Authority's district boundaries.

The Authority is a component unit of the Township and is included in the basic financial statements of the Township at December 31, 2020.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The DDA follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). There are no component units required to be included in these financial statements. The following is a summary of the significant accounting policies used by the Authority:

Basis of Accounting

The Governmental Fund uses 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. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. 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 Authority considers amounts collected within 60 days of year end to be available for recognition.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives: the government-wide perspective and the fund-based perspective. The Governmental Fund column presents its activities on the modified accrual basis of accounting discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full 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.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Note 2 - Significant Accounting Policies (Continued)

Restricted Assets

Restricted assets as of December 31, 2020 consist of cash and cash equivalents totaling $1,435,288. These assets are restricted for the debt service reserve for the 2012 Tax Increment Revenue Bonds, the 2014 Tax Increment Revenue Bonds, and the 2018 Tax Increment Revenue Bonds. A total of $674,332 is for debt service reserves, $666,671 is for next year's bond payments, and $94,285 is for unspent bond proceeds. Fund balance has also been restricted for $1,435,288, and net position has been restricted for $674,332.

Capital Assets

Capital assets, which include land and land improvements, are defined by the Authority as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Land improvements and rights-of-way are depreciated using the straight-line method over 15 years. Office equipment is depreciated using the straight-line method over 3 years.

Long-term Obligations

In the government-wide column, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as other financing sources, as well as bond premiums and discounts.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has one item that qualifies as reporting in this category, deferred OPEB costs related to changes in assumptions in the amount of $1,982.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The Authority has two types of items that qualify for reporting in this category. One item, property taxes levied for the following year, is reported on the statement of net position as a deferred inflow of resources. As of December 31, 2020, the Authority has recorded $1,436,386 for property taxes levied for tax year 2020, which will be recognized during the year ending December 31, 2021. This amount is recognized as a deferred inflow of resources at December 31, 2020. The other item, deferred OPEB cost reductions, represents differences in experience, changes in assumptions, and difference between projected and actual earnings on OPEB plan assets. This amount is presented in the government-wide statement of net position.

Note 2 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The Authority will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the Governmental Fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of the Governmental Fund is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The DDA board is the highest level of decision-making authority for the Authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Authority for specific purposes but do not meet the criteria to be classified as committed. The Authority has, by resolution, authorized the finance director to assign fund balance. The DDA board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Other Postemployment Benefit Costs

The Authority offers other postemployment benefits to its employees. The Authority records a net OPEB liability/asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. Investments are reported at fair value.

Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Fund	$ 4,871,241
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund:	
Cost of capital assets	5,118,893
Accumulated depreciation	(1,441,829)
Net capital assets used in governmental activities	3,677,064
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the fund	(6,847,683)
Accrued interest is not due and payable in the current period and is not reported in the fund	(59,483)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(9,067)
Retiree health care benefits	198,654
Net Position of Governmental Activities	$ 1,830,726

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund column because of the different measurements focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Fund	$ 639,743
Amounts reported for governmental activities in the statement of activities are different because:	
The Governmental Fund reports capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	41,744
Depreciation expense	(136,254)
Repayment of bond principal is an expenditure in the Governmental Fund but not in the statement of activities (where it reduces long-term debt)	415,000
Interest expense is recognized in the government-wide statements as it accrues	2,611
Some employee costs (OPEB and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Fund	255,240
Change in Net Position of Governmental Activities	$ 1,218,084

Note 4 - Stewardship, Compliance, and Accountability

Budgetary Information

The annual budget is prepared by the Authority's executive director and approved by the Authority's board of directors. This is then forwarded to the Township's board of trustees for approval; subsequent amendments are authorized by the Authority's board of directors and approved by the Township's board. 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’s board, is included in the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Authority did not have significant expenditure budget variances.

Note 5 - 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 has elected to comply with the Township's investment policy. The investment policy adopted by the Township's board in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authorities listed above.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had $1,593,736 of bank deposits (certificates of deposit (CDs) and checking and savings accounts) that was uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 Authority does not have an investment policy that addresses interest rate risk.

At year end, the Authority had the following investments:

Investment	Fair Value	Weighted-average Maturity (Months)
Negotiable CDs	$ 1,250,000	28.88
U.S. government agencies	1,288,000	46.18

Note 5 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority 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	Fair Value	Rating	Rating Organization
Bank investment pools - Part of the Charter Township of Van Buren pooled account	$ 1,824,363	AAA	S&P
Negotiable CDs	1,250,000	Not rated	N/A
U.S. government agencies	1,288,000	AA+	S&P
Money market	1,435,288	A1/P1/F1	S&P

Concentration of Credit Risk

The Authority places no limit on the amount it may invest in any one issuer. More than 5 percent of the component unit investments are in negotiable certificates of deposit at Northstar Bank, Flagstar Bank, Wells Fargo Bank, and Private Bank for the DDA. The Authority's concentration percentage of the certificates of deposit for each bank is 9.85, 13.79, 9.85, and 15.76 percent, respectively. The Authority's concentration percentage of Federal Home Loan Bank and Federal Farm Credit Bank securities is 15.76, and 34.99 percent, respectively.

The Authority 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, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where 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 Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

The Authority has the following recurring fair value measurements as of December 31, 2020:

- U.S. government securities with a value of $1,288,000 are valued using a matrix pricing model (Level 2 inputs).
- Negotiable CDs of $1,250,000 are valued using a matrix pricing model (Level 2 inputs).
- Comerica Investment Pool investment of $1,824,363 is valued at net asset value (NAV). There are no unfunded commitments and no redemption notice period, and the redemption frequency is n/a.

The Comerica Investment Pool (LGIP) is not registered with the Securities and Exchange Commission (SEC) and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares, since the pool does not meet the requirements under GASB 79 to report its value for financial reporting purposes at amortized cost.

Note 6 - Capital Assets

Capital asset activity of the Authority's governmental activities was as follows:

	Balance January 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2020
Capital assets not being depreciated - Land	$ 426,262	$ -	$ -	$ -	$ 426,262
Capital assets being depreciated - building and land improvements	4,650,887	-	41,744	-	4,692,631
Accumulated depreciation - Buildings and improvements	1,305,575	-	136,254	-	1,441,829
Net capital assets being depreciated	3,345,312	-	(94,510)	-	3,250,802
Net governmental activities capital assets	$ 3,771,574	$ -	$ (94,510)	$ -	$ 3,677,064

Note 7 - Long-term Debt

The Authority issues bonds to provide for the acquisition and construction of major capital facilities.

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2012 Revenue Bond - Amount of issue - $4,900,000 maturing through 2032	3.00% - 3.75%	$215,000 - $330,000	$ 3,485,000	$ -	$ (220,000)	$ 3,265,000	$ 225,000
2014 Revenue Bond - Amount of issue - $2,600,000 maturing through 2032	2.00% - 4.00%	$115,000 - $180,000	1,895,000	-	(120,000)	1,775,000	120,000
2018 Revenue Bond - Amount of issue - $1,970,000 maturing through 2038	3.00% - 3.625%	$75,000 - $130,000	1,895,000	-	(75,000)	1,820,000	80,000
Total other debt principal outstanding			7,275,000	-	(415,000)	6,860,000	425,000
2014 bond premium			8,182	-	(630)	7,552	630
2018 bond discount			(20,999)	-	1,130	(19,869)	(1,130)
Total bonds and contracts payable			7,262,183	-	(414,500)	6,847,683	424,500
Compensated absences			7,586	9,067	(7,586)	9,067	9,067
Total governmental activities long-term debt			$ 7,269,769	$ 9,067	$ (422,086)	$ 6,856,750	$ 433,567

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

	Governmental Activities		
	Other Debt		
Years Ending December 31	Principal	Interest	Total
2021	$ 425,000	$ 237,932	$ 662,932
2022	435,000	225,181	660,181
2023	450,000	212,131	662,131
2024	465,000	197,732	662,732
2025	480,000	182,250	662,250
2026-2030	2,680,000	651,838	3,331,838
2031-2035	1,550,000	184,075	1,734,075
2036-2040	375,000	27,550	402,550
Total	$ 6,860,000	$ 1,918,689	$ 8,778,689

Future Revenue Pledged for Debt Payment

The Authority has pledged a portion of future property tax revenue to repay $3,265,000, $1,775,000, and $1,820,000 in DDA bonds issued in 2012, 2014, and 2018, respectively, to finance various capital improvements. The bonds are payable solely from the incremental property taxes captured by the Authority and are projected to produce 100 percent of debt service requirements over the life of the bonds. Principal and interest remaining on the bonds total $8,778,688, payable through 2038. For the current year, principal and interest paid and total property tax captures were $674,332 and $1,938,633, respectively.

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, 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.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The Authority provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the Van Buren Township OPEB Plan, a cost-sharing plan administered by the Township.

The financial statements of the OPEB plan are included in the Township's financial statements as an other employee benefit trust fund (a fiduciary fund).

Management of the plan is vested in the pension and OPEB board, which consists of seven members: three elected by plan members, three appointed by the Township, and the township treasurer, who serves as an ex officio member.

Benefits Provided

Van Buren Township OPEB Plan provides medical coverage and life insurance benefits for retirees and medical coverage for their spouses. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan. The AFSCME, POLC Patrol/Dispatch, and MAFF union retirees contribute 10 percent of the premium cost.

Note 9 - Other Postemployment Benefit Plan (Continued)

Contributions

Retiree health care costs are paid by the Township on a pay-as-you-go basis. The Authority has no obligation to make contributions in advance of when the insurance premiums are due for payment. Contributions to the plan from the Authority were $0 for the year ended December 31, 2020.

Net OPEB Liability

At December 31, 2020, the Authority reported an asset of $359,500 for its proportionate share of the net OPEB liability. The net OPEB asset was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. The Authority's proportion of the net OPEB liability was based on the Authority's actual participation in the plan.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Authority recognized OPEB recovery of $254,616.

At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (80,626)
Changes in assumptions	1,982	(40,330)
Net difference between projected and actual earnings on OPEB plan investments	-	(41,872)
Total	$ 1,982	$ (162,828)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending December 31	Amount
2021	$ (42,375)
2022	(42,375)
2023	(47,211)
2024	(24,141)
2025	(4,744)
Total	$ (160,846)

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 2 percent; an investment rate of return (net of investment expenses) of 6.47 percent; a health care cost trend rate of 8.25 percent for 2020, decreasing to 4.5 percent in year 10; and the PUB-2010 mortality tables. These assumptions were applied to all periods included in the measurement.

Note 9 - Other Postemployment Benefit Plan (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.47 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	56.00 %	8.00 %
Global fixed income	31.00	5.50
Private assets	1.30	6.20
Diversifying strategies	6.60	2.75
Real estate	5.10	0.50

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Authority, calculated using the discount rate of 6.47 percent, as well as what the Authority's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.47%)	Current Discount Rate (6.47%)	1 Percentage Point Increase (7.47%)
Net OPEB asset of the Van Buren Township OPEB Plan	$ 292,381	$ 359,500	$ 420,973

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the Authority, calculated using the health care cost trend rate of 8.25 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB asset of the Van Buren Township OPEB Plan	$ 426,209	$ 359,500	$ 279,124

Note 9 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report of the Township. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - Governmental Fund

Year Ended December 31, 2020

	Original Budget	Amended Budget	Actual	(Under) Over Final Budget
Revenue				
Property taxes	$ 1,775,000	$ 1,944,800	$ 1,938,633	$ (6,167)
Interest income	72,000	42,500	61,827	19,327
Total revenue	1,847,000	1,987,300	2,000,460	13,160
Expenditures				
Administrative	799,394	639,523	547,427	(92,096)
Infrastructure improvements and other	1,695,000	220,352	147,908	(72,444)
Debt service:				
Debt principal	415,000	415,000	415,000	-
Debt interest	250,382	250,382	250,382	-
Total expenditures	3,159,776	1,525,257	1,360,717	(164,540)
Net Change in Fund Balance	(1,312,776)	462,043	639,743	177,700
Fund Balance - Beginning of year	4,231,498	4,231,498	4,231,498	-
Fund Balance - End of year	**$ 2,918,722**	**$ 4,693,541**	**$ 4,871,241**	**$ 177,700**

Required Supplemental Information
Schedule of the Authority's Proportionate Share of the Net OPEB Liability
Van Buren Township OPEB Plan

Last Three Plan Years

Plan Years Ended December 31

	2020	2019	2018
Authority's proportion of the net OPEB (asset) liability	(2.77540)%	(0.43192)%	1.06193 %
Authority's proportionate share of the net OPEB (asset) liability	$ (359,500)	$ (80,119)	$ 217,072
Plan fiduciary net position as a percentage of total OPEB liability	29.67 %	19.55 %	13.80 %

Required Supplemental Information
Schedule of OPEB Contributions
Van Buren Township OPEB Plan

Last Four Fiscal Years

Years Ended December 31

	2020	2019	2018	2017
Contractually required contribution	$ 3,552	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	2,105	216,511	100,000	165,003
Contribution (Deficiency) Excess	**$ (1,447)**	**$ 216,511**	**$ 100,000**	**$ 165,003**

*The Authority did not contribute to the OPEB plan prior to 2017, and no contribution information is available prior to the 2018 year end.