

DOWNTOWN DEVELOPMENT AUTHORITY

MANCELONA, MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 29, 2016

MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY

BOARD OF DIRECTORS

BILL KOENIG – PRESIDENT

KATHLEEN KITCHEN – VICE PRESIDENT

FRED BUHLAND – TREASURER

MIKE ALLISON – VILLAGE PRESIDENT

JOAN SHANNAHAN – RECORDING SECRETARY

MIKE BIEHL

RON ALDRICH

CHARLES HAMP

KELLY WATKINS

ALYSE TARBUTTON

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Dan Smith & Company, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

May 27, 2016

To the Downtown Development Authority
Mancelona, Michigan

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, and the major fund of the Mancelona Downtown Development Authority as of and for the year ended February 29, 2016 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Mancelona Downtown Development Authority, as of February 29, 2016 and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 16 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.



Daniel S. Smith, CPA

MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED FEBRUARY 29, 2016

This section of the annual financial report of the Mancelona Downtown Development Authority presents our discussion and analysis of the entity's financial performance during the fiscal year ended February 29, 2016. Please read it in conjunction with the financial statements which immediately follow this section.

FINANCIAL HIGHLIGHTS

The change in net assets, as calculated on the full accrual basis of accounting was an increase of \$16,327. The excess of revenues over expenditures as calculated on the modified accrual basis of accounting was \$20,802.

Assets increased \$16,327 from the prior year. Liabilities remained at zero.

Overall revenues were \$33,732, most of which are general in nature. Total expenses, as calculated on the accrual basis of accounting, amounted to \$17,405.

The Authority's revenues consist primarily of property taxes, collected from the Village of Mancelona and Mancelona Township for properties within the DDA district, and interest earnings. The Authority's revenue increased \$680 from the prior year.

The Authority was involved in community projects during the year which included a maintenance program with the Village of Mancelona, and entering an agreement to purchase outdoor exercise equipment.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: The management discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the entity.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status.

The remaining statements are fund financial statements, which focus on individual parts of the entity in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Authority as a whole using the accrual accounting method, as used by private companies. The Statement of Net Assets includes all of the Authority's assets and liabilities. The Statement of Activities records all of the current year revenues and expenses regardless of when received or paid.

The two government-wide statements report net assets and how they have changed. Net assets are the difference between the Authority's assets and liabilities; this is one method to measure the Authority's financial health or position.

Over time, increases/decreases in an Authority's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the Authority, you may also have to consider additional factors such as tax base changes.

The activities of the Authority are reported as governmental activity. The Authority has no business-type activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Authority's funds, focusing on significant (major) funds, not the entity as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They also may be created by the entity's board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The entity has the following types of funds:

General Fund – All of the Authority's activities are included in this fund. The fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that differences between the government-wide statements and the fund statements are disclosed to explain the differences between them.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's total net assets increased during the year, impacted primarily by no major capital improvements. The total net assets balance at the end of the year was \$120,904.

FINANCIAL ANALYSIS OF THE AUTHORITY 'S FUNDS

The activities of the general fund have remained constant, consisting of contractual services and other operating costs and community projects. The revenues collected to fund the activities increased slightly, due to an increase in taxable values within the DDA district. The revenues exceeded the expenditures causing a surplus of \$20,802 in the fund financial statements.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets: The Authority placed a deposit (\$12,495) down for outdoor exercise equipment. The equipment will be capitalized once installed in 2016.

Long-Term Debt: At year end, the DDA had no long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The Authority will continue to assess the needs of the Downtown District. No major capital purchases are planned for the upcoming year.

CONTACTING ENTITY MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have any questions concerning this report please contact Bill Koenig, President or Ms. Joan Shannahan the recording secretary

**MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
FEBRUARY 28, 2016**

ASSETS

Current Assets

Cash	\$	11,833
Property Taxes Receivable		33,707
Deposit - Outdoor Equipment		12,495

Total Current Assets		58,035
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Noncurrent Assets

Capital Assets		79,740
Accumulated Depreciation		(16,871)

Total Noncurrent Assets		62,869
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Total Assets		120,904
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LIABILITIES

Current Liabilities

Accounts Payable		-
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Total Liabilities		-
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NET ASSETS

Net Assets - Unrestricted		58,035
Net Assets - Investment in Capital Assets		62,869

Total Net Assets	\$	120,904
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See independent auditor's report and notes to the financial statements

MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2016

	<u>P R O G R A M R E V E N U E S</u>			<u>NET REVENUE/ (EXPENSE) AND CHANGE IN NET ASSETS</u>
	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS & CONTRIBUTIONS</u>	<u>CAPITAL GRANTS & CONTRIBUTIONS</u>	
EXPENSES	CONTRIBUTIONS	CONTRIBUTIONS	TOTAL	
\$ (17,405) \$	-	-	-	(17,405)
GOVERNMENTAL ACTIVITY				
Redevelopment/Beautification of Downtown Mancelona Area				
GENERAL REVENUES				
Property Taxes				33,707
Interest Income				25
Total General Revenues				33,732
Change in Net Assets				16,327
Net Assets, Beginning of Year				104,577
Net Assets, End of Year				\$ 120,904

See independent auditor's report and notes to the financial statements

**MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
FEBRUARY 28, 2016**

ASSETS

Current Assets

Cash	11,833
Property Taxes Receivable	33,707
Deposit - Outdoor Equipment	12,495

Total Assets 58,035

LIABILITIES AND FUND EQUITY

Total Liabilities -

Fund Equity

Fund Balance - Unrestricted and Unassigned	45,540
Fund Balance - Assigned	12,495

Total Fund Equity 58,035

Total Liabilities and Fund Equity \$ 58,035

See independent auditor's report and notes to the financial statements

**MANCELONA DOWNTOWN DEVELOPMENT AUHORITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
FEBRUARY 28, 2016**

TOTAL FUND BALANCE - PER BALANCE SHEET	\$	58,035
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized (and depreciated if appropriate).		62,869
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Long-term liabilities, including the capital leases payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.		-
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TOTAL NET ASSETS - PER STATEMENT OF NET ASSETS	\$	120,904
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See independent auditor's report and notes to the financial statements

**MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED FEBRUARY 28, 2016**

REVENUES

Property Taxes	\$	33,707
Interest Income		25
		33,732
Total Revenues		33,732

EXPENDITURES

Maintenance Agreement - Village		9,000
Administrative Services		2,400
Audit		1,500
Postage & Supplies		30
		12,930
Total Expenditures		12,930

Excess (Deficiency) of Revenues Over Expenditures		20,802
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Fund Balance - Beginning of Year		37,233
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Fund Balance - End of Year	\$	58,035
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See independent auditor's report and notes to the financial statements

**MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED FEBRUARY 28, 2016**

NET CHANGE IN FUND BALANCE - PER STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE	\$	20,802
 Amounts reported for governmental activities in the Statement of Activities are different because:		
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives.		-
Depreciation expense is reported in the Statement of Activities but not in the governmental funds financial statements.		(4,475)
 CHANGE IN NET ASSETS - PER STATEMENT OF ACTIVITIES	 \$	 <u>16,327</u>

See independent auditor's report and notes to the financial statements

**DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2016**

NOTE A: ENTITY

The Downtown Development Authority was organized in July, 1994, by the Village of Mancelona, under Public Act 197 of the State of Michigan. Its purpose is to analyze the impact of economic changes and growth in the downtown district. The district is defined by Village Ordinance 74.

The Village of Mancelona has been designated as the financial oversight agency of the Authority. The Authority is presented as a discrete component unit in the financial statements of the Village.

Upon dissolution of the Authority, all remaining assets and liabilities will revert to the Village of Mancelona.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of the Mancelona Downtown Development Authority are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations including required disclosures, of the Authority's financial activities for the fiscal year ended February 29, 2016.

The accounting policies of the Authority conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On March 1, 2003, the Authority adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Village's financial statements has shifted from a fund focus to a government-wide focus.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the Authority as a whole. Individual funds are not displayed, but the statements distinguish governmental activities from business-type activities, generally financed in whole

**DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2016**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

or in part with fees charged to external customers. Due to the nature of the operations of the Authority, there are no business-type activities. It is a single-purpose government engaging in only governmental activities.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The Authority engages in one functional activity – the preservation and beautification of downtown Mancelona. Program revenues include: (1) charges for services which report fees and other charges to users of the Authority's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program users. At this time the Authority has no program revenues. Other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the Authority's governmental fund.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Authority reports the following major governmental funds:

General Fund – this fund reports operations that provide services to the downtown district which are financed primarily by property tax revenues.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

**DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2016**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability occurs, regardless of the timing of related cash flows.

Governmental Fund Financial Statements

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Authority considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

USE OF ESTIMATES

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

PROPERTY TAXES

Taxes are levied on parcels in the district each year and are recognized as revenue in that fiscal year. Taxes are assessed on a lien date of either July 1st or December 1st, depending if it is the Village tax or Township tax. The tax revenue is calculated by multiplying the number of mills times the increase in taxable value from the base year. The base year (1995) taxable value was \$3,349,178, the 2015 taxable value was \$4,677,669, creating an incremental taxable value of \$1,328,491.

**DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2016**

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS AND DEPRECIATION

The following assets and related depreciation are owned by the Authority:

	Building	Sign & Equipment	Total
Original Cost	\$ 52,489	\$ 27,251	\$ 79,740
Accumulated Depreciation	(6,999)	(9,872)	(16,871)
Net Cost	\$ 45,490	\$ 17,379	\$ 62,869

Depreciation expense for the year totaled \$4,475. Ownership of any assets purchased with the Authority's funds reverts to the Village of Mancelona if the DDA dissolves.

LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNT/PREMIUMS

In the government-wide financial statements, outstanding debt is reported as a liability. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method. The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

BUDGET

Public Act 621 of 1978 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 have been shown on a line-item basis. The approved budget of the Authority was adopted on a fund basis.

Budgets for the Authority are prepared by the board and presented to the Village Council of Mancelona for approval before March 1 of each year. Amendments are also approved by the Village Council as needed.

During the year ended February 29, 2016, no over expenditures were noted. The budget as adopted ends on February 28 of each year. There are no carryover budget items. The budget is adopted on the modified accrual basis of accounting.

**DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED FEBRUARY 29, 2016**

NOTE C: CASH AND CASH EQUIVALENTS

Cash consists of bank accounts with original maturities of 90 days or less.

All cash deposits are maintained in financial institutions in the Mancelona, Michigan area. The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority at fiscal year-end. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 – Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>CATEGORY 2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Cash Deposits	<u>\$ 11,833</u>	<u>\$ 11,833</u>	<u>-</u>	<u>-</u>	<u>\$ 11,833</u>

NOTE D: DUE FROM OTHER GOVERNMENTS

Property tax revenues for the year ended February 29, 2016 are recognized and receivable as follows:

Village of Mancelona	\$ 19,302
Mancelona Township	<u>14,405</u>
Total	<u>\$ 33,707</u>

Management considers the receivable balance to be fully collectible.

NOTE E: LONG-TERM DEBT

The Authority currently has no long-term debt.

NOTE F: INSURANCE

Liability insurance is paid for by the Village of Mancelona. Bond insurance is carried for the Authority for misappropriations.

**MANCELONA DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GOVERNMENTAL FUND
YEAR ENDED FEBRUARY 28, 2016**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET</u>
REVENUES				
Property Taxes	\$ 33,000	\$ 33,000	\$ 33,707	\$ 707
Interest Income	-	-	25	25
Total Revenue	<u>33,000</u>	<u>33,000</u>	<u>33,732</u>	<u>732</u>
EXPENDITURES				
Maintenance Agreement - Village	9,000	9,000	9,000	-
Administrative Services	3,000	3,000	2,400	600
Audit	1,500	1,500	1,500	-
Postage & Supplies	400	400	30	370
Legal Fees	1,500	1,500	-	1,500
Outdoor Fitness Equipment	15,600	15,600	-	15,600
Advertising/Travel	2,000	2,000	-	2,000
Total Expenditures	<u>33,000</u>	<u>33,000</u>	<u>12,930</u>	<u>20,070</u>
Excess (Deficiency) of Revenues Over Expenditures	-	-	20,802	20,802
Fund Balance - Beginning of Year	<u>37,233</u>	<u>37,233</u>	<u>37,233</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 37,233</u>	<u>\$ 37,233</u>	<u>\$ 58,035</u>	<u>\$ 20,802</u>

See independent auditor's report and notes to the financial statements