

**THE LOCAL DEVELOPMENT
FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

(A COMPONENT UNIT OF THE
VILLAGE OF PARMA, MICHIGAN)

ANNUAL FINANCIAL REPORT

FEBRUARY 29, 2020

Certified Public Accountants

Markowski & Company

2880 Spring Arbor Road, Jackson, MI 49203

www.markowskipas.com

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA**

**ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR’S REPORT	1 -2
MANAGEMENT’S DISCUSSION AND ANALYSIS	3 - 5
BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE/ GOVERNMENTAL FUND FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION/GOVERNMENTAL FUND BALANCE SHEET	6
STATEMENT OF ACTIVITIES/GOVERNMENTAL FUND REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 15
REQUIRED SUPPLEMENTAL INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	16
ADDITIONAL SUPPLEMENTARY INFORMATION:	
RECAP OF 2019 TAX LEVY BY TAXING ENTITY	17 - 18
\$1,220,000 SERIES 2012 REFUNDING BONDS	19

INDEPENDENT AUDITOR'S REPORT

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR ROAD • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351 • FAX (517) 782-0599

WWW.MARKOWSKICPAS.COM

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors
The Local Development Finance Authority
Of the Village of Parma

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and General Fund of **The Local Development Finance Authority of the Village of Parma** (the "LDFA"), a component unit of the Village of Parma, Michigan, as of and for the year ended February 29, 2020, and the related notes to the financial statements, which collectively comprise the LDFA'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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund and the governmental activities of The Local Development Finance Authority of the Village of Parma as of February 29, 2020, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

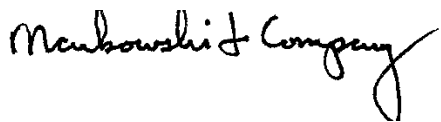
Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the major fund budgetary comparison schedule on pages 3 – 5 and page 16, respectively, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

Additional Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the LDFA's financial statements as a whole. The additional supplementary information on pages 17 – 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.



MARKOWSKI & COMPANY CPAs
July 28, 2020



Parma Local Development Finance Authority
Staffed and Served by The Enterprise Group of Jackson, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

LDFFA BOARD OF DIRECTORS

James Jenkins, Chairman (P)
Joanne Havican, Secretary (P)
Terry Langston (S)
Darrell Norris (JC)
Darin Simmons (P)
Michael Way (J)

L. Keith Acker, Vice Chair (S)
Mickey Carothers (P)
Cheryl Marks (S)
Ray Pape (W)
Amber Moore (W)

Non-Voting Officers and Staff:

Kathleen McDevitt, Treasurer

Emily Cones, LDFFA Staff

Debbie Kelly, LDFFA Staff

() Denotes governmental entity represented by the member:

J - Jackson County

JC - Jackson College

P - Village of Parma

S - Sandstone Township

W - Western School District

LOCAL DEVELOPMENT FINANCE AUTHORITY
 OF THE VILLAGE OF PARMA
 Management's Discussion and Analysis

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 Local Development Finance Authority of the Village of Parma (the "LDFA") as a whole and present a longer-term view of the LDFA's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the LDFA's operations in more detail than the government-wide financial statements.

The LDFA as a Whole

By design, the LDFA is intended to operate at or near a break-even point each year. Real estate taxes are captured from properties within the LDFA boundaries. These may only be spent on certain activities under Michigan statute and the LDFA agreement. Any amounts collected in excess of these requirements must be returned to the taxing entities.

In a condensed format, the table below shows a comparison of the net position as of the current date to the prior year:

	February 28,	
	2020	2019
Current Assets	\$ 674,669	\$ 657,379
Noncurrent Assets	285,501	285,501
Total Assets	<u>960,170</u>	<u>942,880</u>
Current Liabilities	<u>-</u>	<u>17,687</u>
Net Position:		
Invested in Capital Assets	285,501	285,501
Unrestricted	674,669	639,692
	<u>\$ 960,170</u>	<u>\$ 925,193</u>

Unrestricted net position is the part of net position that can be used to finance day to day operations. The current level of unrestricted net position for our governmental activities stands at roughly 2 times annual expenditures, plus expenditures to finance potential improvements. This is within the targeted range set by the LDFA Board at its annual meeting.

The LDFA has no business-type activities. As a single-purpose entity, all its activities are considered governmental activities.

LOCAL DEVELOPMENT FINANCE AUTHORITY
 OF THE VILLAGE OF PARMA
 Management's Discussion and Analysis

The following table shows the changes of the net position as of the current date to the prior year:

	The Years Ending February 28,	
	2020	2019
General Revenue:		
Property taxes and State reimbursement (Net)	\$ 244,421	\$ 194,485
Interest Income	7,506	5,829
Total general Revenue	<u>251,927</u>	<u>200,314</u>
Program Expenditures:		
Economic Development	37,309	37,313
Public Works	20,341	376,578
Other - Contractual Debt Service	159,300	142,485
Total program expenditures	<u>216,950</u>	<u>556,376</u>
Change in Net Position	<u>\$ 34,977</u>	<u>\$ (356,062)</u>

Governmental Activities

The LDFA's net position continues to remain healthy. Captured tax revenues were down in 2020, but the State of Michigan reimbursed the LDFA \$499,710 (up from \$477,970 in 2018) for the loss of revenue from personal property taxes. Public Works spending continued, as Phase I of the solution to waste water disposal issues within the LDFA boundaries were completed during the year. Other expenditures decreased in accordance with the debt service schedule (retiring debt issued to finance infrastructure improvements within the district boundaries). Interest earned on investments increased slightly due to the rates available on investments and more funds available for investing. The LDFA is performing as designed, and operating at or near a break-even level, with the exception of funds retained for infrastructure improvements.

The LDFA's Funds

The only significant difference between the government-wide financial statements and the fund financial statements of the LDFA is the existence of raw land owned by the LDFA. This is reported as a capital asset in the government-wide financial statements, while it was reported as an expense when acquired in the fund financials. The analysis of fund financial statements for 2020 and 2019 is substantially the same as the preceding government-wide discussion.

General Fund Budgetary Highlights

Over the course of the year, the LDFA Board amended the budget to take into account current events. The most significant changes were to decrease the tax revenues to more accurately reflect actual taxable values, and increase budgeted revenue to include the reimbursement from the State. Budgeted expenditures were changed to reflect an increased amount of work on engineering studies and design.

LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
Management's Discussion and Analysis

Capital Asset and Debt Administration

At the end of 2020, the LDFA had \$285,501 invested in vacant land within a certified industrial park. This land is actively being marketed for potential development, ideally to a manufacturing enterprise.

The LDFA is contractually obligated to use future captured tax revenue to reimburse the Village of Parma for its debt service obligations on agreements used to finance construction of certain water system improvements which benefitted properties located within the LDFA's boundaries.

Because the Village is obligated to service this debt, and the LDFA's obligation is limited to providing future revenues to assist with this, the long-term debt is reported as an obligation of the Village and not the LDFA.

Economic Factors and Next Year's Budgets and Rates

The LDFA's budget for 2021 calls for gross revenues to increase based on a contribution towards the waste water project.

Contacting the LDFA's Management

This financial report is intended to provide our citizens, taxpayers, property owners and other governmental entities with a general overview of the LDFA's finances and to show the LDFA's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk at the Village of Parma office on 117 W. Main St, Parma, MI 49269.

BASIC FINANCIAL STATEMENTS

Government-Wide and Governmental Fund Financial Statements

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
FEBRUARY 29, 2020

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF NET POSITION
Assets:			
Cash	\$ 181,866	\$ -	\$ 181,866
Investments	492,803	-	492,803
Land	-	285,501	285,501
Total assets	\$ 674,669	285,501	960,170
Liabilities:			
Contracts payable	\$ -	-	-
Total liabilities	-	-	-
Fund Balances/Net Position:			
Fund balances:			
Assigned	-	-	-
Unassigned	674,669	(674,669)	-
Total equity and other credits	674,669	(674,669)	-
Total liabilities and fund balances	\$ 674,669		
Net Position:			
Net investment in capital assets		285,501	285,501
Unrestricted		674,669	674,669
Total net position		\$ -	\$ 960,170
Reconciliation of governmental fund balance to net position:			
Fund balances per the governmental fund balance sheet			\$ 674,669
Capital assets used in governmental activities are not financial resources and are not reported in the fund financial statements.			285,501
Net position of governmental activities			\$ 960,170

The notes to the financial statements are an integral part of this statement.

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
THE YEAR ENDED FEBRUARY 29, 2020

	GENERAL FUND	ADJUSTMENTS	STATEMENT OF ACTIVITIES
Expenditures/Expenses:			
Economic Development	\$ 37,309	\$ -	\$ 37,309
Public Works	20,341	-	20,341
Other - Contractual debt service	159,300	-	159,300
Total expenditures/expenses	216,950	-	216,950
General Revenues:			
Property taxes	206,133	-	206,133
PPT Reimbursement - State of Michigan	499,710	-	499,710
Less: Return of excess capture	(461,422)	-	(461,422)
Net property taxes captured	244,421	-	244,421
Interest income	7,506	-	7,506
Total general revenues	251,927	-	251,927
Net Change in Fund Balance/Net Position	34,977	-	34,977
Fund Balance/Net Position - Beginning	639,692	285,501	925,193
Fund Balance/Net Position - Ending	\$ 674,669	\$ 285,501	\$ 960,170
Reconciliation of governmental fund financial statements to Statement of Activities:			
Excess of revenues over (under) expenditures			\$ 34,977
There were no differences between the fund and government-wide financial statements during the fiscal year ended February 29, 2020			-
Change in Net Position			\$ 34,977

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

1. REPORTING ENTITY:

The Local Development Finance Authority of the Village of Parma was created by the Village of Parma in a resolution dated December 12, 1988. Public Act 281 of 1986 provides the authority for the Village to establish an LDFA. The LDFA will expire in 2021.

The LDFA of the Village of Parma is governed by an eleven-member board, which consists of four representatives appointed by the Village of Parma, three appointed by Sandstone Charter Township, two appointed by Western School District, and one each appointed by Jackson County and Jackson College.

The LDFA's primary functions are site acquisition, development, and improvement, (including the extension of roads and utilities) for the Parma - Sandstone Certified Business Park. Currently, there are two companies located within the park - Michigan Automotive Compressor, Inc. (MACI) and Pro Services, Inc. (Pro Services).

The criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. On this basis, the LDFA of the Village of Parma is considered a component unit of the Village of Parma and is included in the Village's financial statements.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The LDFA uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements. This is accomplished by using a columnar format that reconciles individual line items in the fund financial statements to government-wide data. This information is presented in the Statement of Net Position/Governmental Fund Balance Sheet and the Statement of Activities/Governmental Fund Revenues, Expenditures, and Changes in Fund Balance.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all activities of the LDFA. The LDFA operations consist solely of governmental-type activities; it has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to users or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other income not properly included among program revenues are reported instead as general revenue.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: (Continued)

The fund financial statements are provided for governmental funds and have been reported in conjunction with the government-wide financial statements.

Major individual governmental funds are reported as separate columns in the fund financial statement.

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The LDFA uses a fund to report on its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities.

Governmental fund financial statements are reported using the current financial resources measurement focus and a modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the LDFA considers revenues to be available if they are collected within 60 days of the fiscal year end.

Expenditures are generally recorded when a liability is incurred, the same as accrual accounting.

The LDFA reports its general operating fund as a major fund.

4. BUDGETARY PROCEDURES:

The Board of Directors adopted a budget during a regularly scheduled open meeting. The budget was prepared using the modified accrual method of accounting, which is consistent with the measurement focus of the fund financial statements.

The budget for the fiscal year ended February 29, 2020 was originally adopted at its annual meeting held in January 2019. It was amended at its annual meeting held in January 2020.

5. CASH AND INVESTMENTS:

The LDFA's cash and cash equivalents consist of demand deposit accounts, short-term investments with original maturities of less than 90 days, and accounts with liquidity similar to cash.

The LDFA investments at February 29, 2020 consisted of a certificate of deposit account registry service account (CDARS) investing in certificates of deposit from various banks, and with Michigan CLASS, an external investment pool whose investments comply with the laws of the State of Michigan with the intent of maximizing both FDIC insurance coverage and rate of return on investments.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

6. CAPITAL ASSETS

The LDFA purchased 302.8 acres in 1989 for \$539,645 and immediately sold 105.2 acres to MACI. In 2006 the LDFA sold an additional 7 acres to a successor company to Parma Realty LLC for \$66,619. The remaining land owned by the LDFA is approximately 186 acres, of which approximately 32 are developable and 154 are wetlands subject to development restrictions. This land is valued at its historical cost of \$285,501.

7. FUND EQUITY

The LDFA's fund balance of its governmental fund is categorized into five defined categories of fund balance. These categories consist of **nonspendable** amounts which are legally or contractually required to maintain intact or are not in spendable form (e.g. inventory or prepaid expenses); **restricted** amounts, that are limited for specific purposes set by external parties or by law; **committed** amounts that are set by the highest decision making authority and may only be removed by that authority (the LDFA Board); **assigned** amounts that have an intended but no formal specific purpose, and **unassigned** amounts which represent all amounts not included in the previous categories.

8. ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

1. BUDGET VIOLATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the LDFA's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. For the year ended February 29, 2020 there were no violations of the amended budget.

NOTE C - CASH AND INVESTMENTS:

State statutes and LDFA policy authorize the LDFA to deposit and invest in the accounts of Federally insured banks; insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. The LDFA's deposits are in accordance with statutory authority and LDFA policy.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE C – CASH AND INVESTMENTS: (Continued)

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The longer the maturity of an investment generally increases the sensitivity of its fair value to changes in market interest rates. The LDFA minimizes this risk by limiting its investments to shorter term securities with liquidity similar to a money market account.

Concentration of Credit Risk

The LDFA's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law. The Treasurer attempts to minimize this risk by maintaining balances with the limits of FDIC insurance. As of February 29, 2020, the LDFA's bank balances did not exceed FDIC insurance limits of \$250,000 per bank. The cash balance reported in the financial statements was fully insured.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized; collateralized with securities held by the pledging financial institution; or collateralized with securities held by the pledging financial institution's trust department or agent but not in the LDFA's name.

The custodial credit risk for investments is that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the LDFA will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the LDFA's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments.

Cash, cash equivalents, and investments of the LDFA can be defined as follows: Cash and cash equivalents consist of deposits (checking and savings accounts) and its investments in a certificate of deposit account registry service account (CDARS). The deposits are held at a local bank, in the name of the LDFA. The CDARS account was invested in various certificates of deposit fully insured by the FDIC.

Fair Value Disclosures for Investments

The LDFA is required to disclose amounts within a measuring fair value. That framework provides for a hierarchy established for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE C – CASH AND INVESTMENTS: (Continued)

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk, and others.

Level 3: Prices determined using other significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the LDFA’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

All of the LDFA’s investments are valued using Level 2 inputs.

The LDFA did not violate any of its investment policies or related state laws during the year ended February 29, 2020.

Investments held on February 29, 2020 can be summarized as follows:

<u>Account Type</u>	<u>Maturity</u>	<u>Balance</u>	<u>Rating</u>
Michigan CLASS	> 1 day	\$ 350,032	AAAm
CDARS account	> 1 day	142,771	N/A
Total		<u>\$ 492,803</u>	

NOTE D – PROPERTY TAXES:

The LDFA derives its revenues from property taxes “captured” from the levies of local entities. The local entities receive all revenues from their debt millage but receive operating millage only on the original taxable value of property within the LDFA district. The LDFA cannot capture education taxes (state education tax, local school operating taxes, and intermediate school district operating taxes), nor can it capture taxes on non-manufacturing property located within its boundaries. The LDFA collects (or captures) any taxes on the increase in value of real and personal eligible manufacturing property within the district.

Sandstone Charter Township assesses the involved properties and levies the taxes for all local units involved. Tax payments are also collected by the Township, except for the Village of Parma, which collects its own operating and debt millages and remits its operating levy to the LDFA. The taxes become a lien on the property as of December 31 and are levied on July 1 and December 1 of the following year. Payments are due by September 14 (for the July levy) and February 14 (for the December levy).

Under Michigan law (Public Act 198 of 1974), property owners may apply for special tax rates for up to 12 years for certain new properties. If approved, the property owner will pay an Industrial Facilities Tax (IFT) rate equal to 50% of the current rate. For IFT’s granted after 1993, the taxes are levied at 50% of the current millage rate, except for taxes levied under the State Education Tax Act. Those taxes are levied at 100% of the current rate unless a reduced amount is approved by the State. Local school operating taxes of 18 mills and State Education taxes of 6 mills are not levied against the property taxed under IFT certificates within the LDFA boundaries. In 2008, a new class of property was created for tax purposes – qualified industrial personal property. Property in this class is subject to the reduced local school operating tax rate of 6 mills and the full 6 mills state education tax.

**THE LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE D – PROPERTY TAXES: (Continued)

The property within the LDFA includes four parcels. These are summarized as follows:

	# of Parcels	Taxable Value
IFT Property:		
Qualified Industrial Personal Property	2	\$ 12,591,300
Ad Valorem Property:		
Real Property	1	6,828,800
Property not eligible for capture:		
Ad Valorem Property:		
Real Property	1	287,000
	4	\$ 19,707,100

The following table summarizes the 2019 tax levy:

	Ad Valorem	Post-1993 IFT	Total
Taxable Value	\$ 7,115,800	\$ 12,591,300	\$ 19,707,100
Original Value	(142,165)	-	(142,165)
Noneligible Parcel Value	(287,000)	-	(287,000)
	\$ 6,686,635	\$ 12,591,300	\$ 19,277,935
 Total taxes levied	 \$ 417,145	 \$ 217,970	 \$ 635,115
Less:			
Taxes on original value	(2,256)	-	(2,256)
Taxes on noneligible parcels	(16,825)	-	(16,825)
Debt, Education, and Other levies not subject to capture	(291,893)	(118,008)	(409,901)
Total paid to taxing entity	(310,974)	(118,008)	(428,982)
	\$ 106,171	\$ 99,962	\$ 206,133
State reimbursement			499,710
Revenue reported by LDFA			705,843
Excess captured taxes refunded by LDFA			(461,422)
Net taxes captured			\$ 244,421

**LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO FINANCIAL STATEMENTS**

NOTE E - ECONOMIC DEPENDENCE:

100% of the captured tax increment revenues available to the LDFA are paid by one taxpayer - Michigan Automotive Compressor, Inc. (MACI). The company has paid its taxes on or before the due date since the initial levy in 1990.

NOTE F - COMMITMENTS AND CONTINGENCIES:

1. TAX INCREMENT REVENUE AGREEMENT PAYABLE:

In October 2002, Jackson County sold \$1,800,000 of bonds to finance improvements to the municipal water supply system and fire protection system within the LDFA boundaries. During the fiscal year ended February 28, 2013 the County refinanced this debt, issuing \$1,220,000 of bonds to refinance the remaining balance of \$1,175,000 plus pay issuance costs. This refinancing will generate net gross debt service savings of \$50,238 over the remaining life of the bonds.

The Village of Parma has entered into a lease agreement with the County, with payments due in amount equal to the debt service requirements of these County bonds. The Village in turn entered into contractual agreements with the LDFA. The terms of the contracts require the LDFA to defray the Village's obligation with tax increment revenues derived from the capture of Village, Township, County (including its components), District Library, and College taxes levied within the LDFA district.

The terms of the bonds, and in turn the tax increment revenue agreement payable, call for annual principal payments ranging from \$115,000 to \$150,000, at interest rates ranging from 1.20% to 2.50%. The LDFA includes the March 1 payment in the preceding year's activity. During the year ended February 29, 2020 the LDFA paid \$150,000 of principal, \$8,800 of interest, and \$500 of paying agent fees for a total of \$159,300. A summary of activity under this agreement is as follows:

	Principal Due	Additions	Payments	Principal Balance 02/28/19	Due In One Year
Tax Increment Revenue Agreement Payable	\$ 440,000	\$ -	\$ (150,000)	\$ 290,000	\$ 145,000

Amortization of the tax increment revenue agreement payable is as follows:

Fiscal Year	Principal Due	Interest Due	Total Due
2021	\$ 145,000	\$ 5,365	\$ 150,365
2022	145,000	1,813	146,813
	<u>\$ 290,000</u>	<u>\$ 7,178</u>	<u>\$ 297,178</u>

**LOCAL DEVELOPMENT FINANCE AUTHORITY
OF THE VILLAGE OF PARMA
NOTES TO FINANCIAL STATEMENTS**

NOTE G – TAX ABATEMENTS:

As discussed in Note D – Property Taxes, the Village of Parma has granted three IFT tax certificates. The effect of these certificates is to reduce the property tax bills by one-half. The LDFA's captured revenue has been reduced by \$99,962 as a result of these certificates.

NOTE H – SUBSEQUENT EVENTS:

Subsequent events were considered for disclosure through the date of this report, July 28, 2020. There were no significant subsequent events during the period from fiscal year end to that date.

REQUIRED SUPPLEMENTAL INFORMATION

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUNDS
THE YEAR ENDED FEBRUARY 29, 2020

	BUDGETED AMOUNTS		ACTUAL	VARIANCE -
	ORIGINAL	FINAL		(UNFAVORABLE)
FUND BALANCE, FEBRUARY 28, 2019	\$ 347,766	\$ 639,692	\$ 639,692	\$ -
RESOURCES (Inflows):				
Property taxes	245,000	206,133	206,133	-
State - Personal property tax reimbursement	450,000	499,710	499,710	-
Total taxes captured	695,000	705,843	705,843	-
Less - Return of excess	(461,422)	(461,422)	(461,422)	-
Net taxes captured	233,578	244,421	244,421	-
Interest income	5,500	7,386	7,506	120
Total resources (inflows)	239,078	251,807	251,927	120
Amount available for appropriation	586,844	891,499	891,619	120
CHARGES TO APPROPRIATIONS:				
Economic Development:				
Management services	30,000	30,000	30,000	-
Consulting fee	1,500	1,500	1,500	-
Audit services	12,500	12,500	2,500	10,000
Treasurer's fee	1,200	1,200	1,200	-
Village support - Bookkeeping fee	1,800	1,800	1,800	-
Office supplies	25	4	4	-
Marketing	3,000	275	275	-
Miscellaneous	50	30	30	-
Total Economic Development	50,075	47,309	37,309	10,000
Public Works:				
Engineering	25,000	25,000	170	24,830
Lift Station upgrades	326,000	177,857	20,171	157,686
Total Public Works	351,000	202,857	20,341	182,516
Other:				
Paying agent fees	500	500	500	-
Contract payments (See Note F1)	158,830	158,800	158,800	-
Total other	159,330	159,300	159,300	-
Capital outlay	-	-	-	-
Total charges to appropriations	560,405	409,466	216,950	192,516
BUDGETARY FUND BALANCE - February 29, 2020	\$ 26,439	\$ 482,033	\$ 674,669	\$ 192,636

The notes to the financial statements are an integral part of this statement.

ADDITIONAL SUPPLEMENTAL INFORMATION

RECAP OF 2019 TAX LEVY BY TAXING ENTITY

SCHEDULE OF INDEBTEDNESS:

\$1,220,000 SERIES 2012 REFUNDING BONDS (Issued in May 2012)

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
 RECAP OF 2019 TAX LEVY BY TAXING ENTITY - COLLECTED DURING THE FISCAL YEAR ENDED FEBRUARY 29,2020

UNIT	Millage Rate (Tax per \$1,000 of Taxable Value)	Ad Valorem- Real/Personal Property Initial and Non-Eligible (1)	Ad Valorem- Real Property New (2)	Industrial Facilities Tax - (Post 1993) (3)	Total
Taxable value		\$ 429,165	\$ 6,686,635	\$ 12,591,300	\$ 19,707,100
Jackson College	1.14310	\$ 491	\$ 7,643	\$ 7,197	\$ 15,331
Intermediate School (Education)	8.76000	3,759	58,576	55,149	117,484
State Education Tax (Education) (2,3)	6.00000	2,575	40,120	-	42,695
Western Schools (Education) (2,3)	18.00000	7,725	120,359	-	128,084
Western Schools (Debt)	7.00000	3,004	46,806	44,070	93,880
Jackson County	5.11200	2,194	34,182	32,182	68,558
Village of Parma (4)	5.32560	2,286	35,610	33,528	71,424
Village of Parma Hydrant (Debt)	0.75000	322	5,014	4,722	10,058
Jackson District Library	1.75700	754	11,749	11,060	23,563
Medical Care Facility	0.24960	107	1,669	1,571	3,347
Jackson County Jail (Debt)	0.48440	208	3,238	3,050	6,496
Sandstone Township (4)	0.79290	340	5,302	4,992	10,634
Senior Services	0.25000	107	1,672	1,574	3,353
Parma-Sandstone Fire (5)	1.25000	536	8,359	7,869	16,764
Parma-Sandstone Police (5)	0.50000	215	3,341	3,149	6,705
Lifeways	0.49930	214	3,337	3,144	6,695
County Parks	0.49930	214	3,337	3,144	6,695
Animal Control	0.24960	107	1,669	1,571	3,347
Total millage rate (ad valorem)	58.62280				
Total levy		25,161	391,982	217,972	635,115
Paid to Taxing Entity:					
Debt retirement levies		(3,534)	(55,058)	(51,843)	(110,435)
Education tax levies		(14,059)	(219,053)	(55,149)	(288,262)
Parma-Sandstone Fire and Police levy		(751)	(11,700)	(11,018)	(23,469)
Initial/Non-eligible property		(6,816)	-	-	(6,816)
Total paid to taxing entity		(25,161)	(285,811)	(118,010)	(428,982)
Gross captured by LDFA		\$ -	\$ 106,171	\$ 99,962	\$ 206,133

(1) The initial taxable value of property within the LDFA boundaries (one parcel of real property) was \$142,165. All entities receive the revenue on this initial value. There are two parcel within the LDFA boundary that is non-manufacturing, and therefore ineligible for capture. The real and personal property ad valorem parcel has a taxable values of \$287,000. The real parcel levies the full 18 and 6 mills for Western Schools operating and State Education tax levies, respectively, while the personal parcel levies 6 mills for each.

(2) The real ad valorem property consists of the original parcel within LDFA boundaries. The captured taxable value of this parcel is \$6,399,653, and the full 18 mills for Western Schools operating tax and 6 mills for the State Education tax is levied.

(3) There are two parcels with Industrial Facilities Tax certificates in effect. They are both personal property. Parcels under IFT certificates are taxed at one-half the ad valorem millage rate. Both parcels are also exempt from both Western Schools and State Education tax levies.

(4) Under a separate revenue sharing agreement, the Village and Sandstone Township split 50/50 their combined surplus.

(5) The LDFA elected not to capture the Parma-Sandstone Fire or Police voter approved special millages.

	Paid to Entity (Original, Education, and Debt)	Tax Captured	Reimbursement for Lost Personal Property Revenue	Total Captured	Excess Captured Returned by LDFA	Net Taxes Captured
Jackson College	\$ (491)	\$ 14,840	\$ 35,979	\$ 50,819	\$ (33,219)	\$ 17,600
Intermediate School (Education)	(117,484)	-	-	-	-	-
State Education Tax (Education) (2,3)	(42,695)	-	-	-	-	-
Western Schools (Education) (2,3)	(128,084)	-	-	-	-	-
Western Schools (Debt)	(93,880)	-	-	-	-	-
Jackson County	(2,194)	66,364	160,957	227,321	(148,609)	78,712
Village of Parma (4)	(2,286)	69,138	167,503	236,641	(88,861)	147,780
Village of Parma Hydrant (Debt)	(10,058)	-	-	-	-	-
Jackson District Library	(754)	22,809	55,318	78,127	(51,074)	27,053
Medical Care Facility	(107)	3,240	7,845	11,085	(7,244)	3,841
Jackson County Jail (Debt)	(6,496)	-	-	-	-	-
Sandstone Township (4)	(340)	10,294	24,936	35,230	(88,861)	(53,631)
Senior Services	(107)	3,246	7,845	11,091	(7,244)	3,847
Parma-Sandstone Fire (5)	(16,764)	-	-	-	-	-
Parma-Sandstone Police (5)	(6,705)	-	-	-	-	-
Lifeways	(214)	6,481	15,741	22,222	(14,533)	7,689
County Parks	(214)	6,481	15,741	22,222	(14,533)	7,689
Animal Control	(107)	3,240	7,845	11,085	(7,244)	3,841
	\$ (428,981)	\$ 206,133	\$ 499,710	\$ 705,843	\$ (461,422)	\$ 244,421

LOCAL DEVELOPMENT FINANCE AUTHORITY OF THE VILLAGE OF PARMA
SCHEDULE OF INDEBTEDNESS
CAPITAL LEASE PAYABLE - COUNTY OF JACKSON (LDFA PROJECT)
\$1,220,000 SERIES 2012 REFUNDING BONDS

DATE	RATE	DEBT SERVICE REQUIREMENTS			FISCAL YEAR TOTAL	FISCAL YEAR	ANNUAL INTEREST
		PRINCIPAL	INTEREST	TOTAL			
09/01/12		\$ -	\$ 8,175.90	\$ 8,175.90			
03/01/13		-	12,162.50	12,162.50	\$ 20,338.40	02/28/13	
09/01/13	1.20%	115,000.00	12,162.50	127,162.50			\$ 1,380.00
03/01/14		-	11,472.50	11,472.50	138,635.00	02/28/14	-
09/01/14	1.50%	140,000.00	11,472.50	151,472.50			2,100.00
03/01/15		-	10,422.50	10,422.50	161,895.00	02/28/15	-
09/01/15	1.70%	135,000.00	10,422.50	145,422.50			2,295.00
03/01/16		-	9,275.00	9,275.00	154,697.50	02/29/16	-
09/01/16	1.90%	130,000.00	9,275.00	139,275.00			2,470.00
03/01/17		-	8,040.00	8,040.00	147,315.00	02/28/17	-
09/01/17	2.05%	130,000.00	8,040.00	138,040.00			2,665.00
03/01/18		-	6,707.50	6,707.50	144,747.50	02/28/18	-
09/01/18	2.20%	130,000.00	6,707.50	136,707.50			2,860.00
03/01/19		-	5,277.50	5,277.50	141,985.00	02/28/19	-
09/01/19	2.30%	150,000.00	5,277.50	155,277.50			3,450.00
03/01/20		-	3,552.50	3,552.50	158,830.00	02/29/20	-
09/01/20	2.40%	145,000.00	3,552.50	148,552.50			3,480.00
03/01/21		-	1,812.50	1,812.50	150,365.00	02/28/21	-
09/01/21	2.50%	145,000.00	1,812.50	146,812.50	146,812.50	02/28/22	3,625.00
		\$ 1,220,000.00	\$ 145,620.90	\$ 1,365,620.90	\$ 1,365,620.90		\$ 24,325.00
Balance at 2/29/20:		\$ 290,000.00	\$ 7,177.50	\$ 297,177.50			

NOTE: These bonds were issued in May 2012 to refund \$1,175,000 of the \$1,275,000 remaining on the 2002 Series bonds. The 2002 Series bonds were subsequently paid in full during the LDFA's fiscal year ending February 28, 2013.

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

2880 SPRING ARBOR RD. • JACKSON • MICHIGAN • 49203

PHONE (517) 782-9351 • FAX (517) 782-0599

WWW.MARKOWSKICPAS.COM

Communication with Those Charged with Governance at the Conclusion of the Audit

To the Board of Directors and Officers
Local Development Finance Authority of the Village of Parma

We have audited the financial statements of the governmental activities and the major fund of the Local Development Finance Authority of the Village of Parma (“LDFA”) for the year ended February 29, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 30, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices:

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the LDFA are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the LDFA’s financial statements was:

Management’s estimate of capital asset value is based on historical cost, which has not been deemed impaired by recent real estate value decreases throughout the state. We evaluated the key factors and assumptions used to develop this assertion in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of commitments and contingencies in Note F to the financial statements. Assumptions have been made that future revenues of the LDFA will be sufficient to service future debt obligations.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

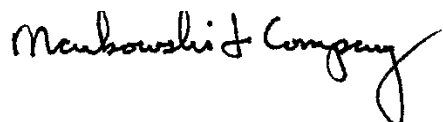
We applied certain limited procedures to Management's Discussion and Analysis and the Budgetary Comparison Schedule – General Fund, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Recap of 2018 Tax Levy by Taxing Entity and the amortization schedule for the \$1,220,000 Series 2012 Refunding Bonds, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board, officers, and management of the LDFA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



MARKOWSKI & COMPANY CPAs
July 28, 2020