

**City of DeWitt
Downtown Development Authority
Clinton County, Michigan**

FINANCIAL STATEMENTS

June 30, 2011

City of DeWitt
Downtown Development Authority

June 30, 2011

BOARD OF DIRECTORS

Michael Lee	Chairperson
Beth Herendeen	Vice-Chair
Fred Motz	Treasurer
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Theresa Dubiel	Director
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Bill Sermak	Director
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City of DeWitt
Downtown Development Authority

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
City of DeWitt Downtown Development Authority
DeWitt, Michigan

We have audited the financial statements of the governmental activities and the major fund of the City of DeWitt Downtown Development Authority (the Authority), a component unit of the City of DeWitt, Michigan, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our 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 City of DeWitt Downtown Development Authority, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As discussed in Note D, during the year the Authority implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result of implementation, fund balance classifications in the governmental fund financial statements have been changed to reflect the new classifications under GASB Statement No. 54, as applicable.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

October 26, 2011

City of DeWitt, Michigan
Downtown Development Authority

Management's Discussion and Analysis
June 30, 2011

This discussion and analysis of financial performance provides a comparison overview of the DDA's financial activities for FY 2010-2011 and 2009-2010. Please read this document in conjunction with the DDA's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for FY 2010-2011:

- Assets of the DDA exceeded its liabilities at the close of FY 2010-2011 by \$459,968.
- The DDA's total net assets increased by \$61,950 as a result of current year activity.

Using this Annual Report

This annual report consists of several financial statements. The statement of net assets and the statement of activities provide information about the activities of the DDA as a whole and present a longer-term view of the DDA'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 which reveals how resources were spent during the year and what resources are available for future spending. Fund financial statements also report the operations of the DDA in more detail than the government-wide financial statements by providing information about the DDA's most significant fund.

The DDA as a Whole

The following table shows, in condensed format, a comparison of net assets of the DDA as of June 30, 2010 and June 30, 2011.

	<u>2010</u>	<u>2011</u>
Assets		
Current assets	\$ 398,018	\$ 459,968
Liabilities		
Current liabilities	-	-
Net Assets		
Unrestricted	<u>\$ 398,018</u>	<u>\$ 459,968</u>

**City of DeWitt, Michigan
Downtown Development Authority**

**Management's Discussion and Analysis
June 30, 2011**

The following table shows the changes in net assets during the previous and current year.

	2010	2011
Revenue		
General revenue		
Taxes	\$ 116,217	\$ 110,984
Interest	8,680	4,727
Miscellaneous	2,705	3,290
Total revenue	127,602	119,001
Program Expense		
Salaries	17,400	25,300
Contractual Services	4,332	1,588
Advertising & Promotion	13,912	8,706
Audit	1,000	1,050
Office supplies	1,062	-
Operating expenses	9,767	17,106
Maintenance	75	164
Other	527	1,297
Improvements	-	1,840
Total expenses	48,075	57,051
Change in Net Assets	\$ 79,527	\$ 61,950

Governmental Activities

The DDA governmental revenues totaled \$119,001 with the largest revenue source being property taxes. Property taxes make up approximately 93% of the total governmental revenue.

The DDA incurred expenses of \$57,051 during the fiscal year, the two largest expenses being salaries (\$25,300) and operating expenses (\$17,106). Salaries represent approximately 44% and operating expenses represent approximately 30% of the annual expenses. The DDA now pays for utilities related to Christmas lights in the DDA district. Additionally, the DDA now reimburses the City for work done in the district. These items combined explain the large increase to operating expenses.

Capital Asset Administration

The DDA does not own or maintain any capital assets.

Long-Term Debt

The DDA does not have any long-term debt.

City of DeWitt, Michigan
Downtown Development Authority

Management's Discussion and Analysis
June 30, 2011

Economic Factors and Next Year's Budgets and Rates

The taxable values and captured values for the DDA have decrease by \$294,473 which has reduced the property tax revenues by \$6,657. The 2012 taxable values and captured values are anticipated to decrease by an additional 4%. The approved budget for 2012 has expenditures exceeding revenues by \$25,200.

Contacting the DDA

This financial report is intended to provide citizens, taxpayers, customers, and investors with the general overview of the DDA's finances and demonstrate the DDA's accountability for the money it receives. If you have any questions about this report or need any additional information, we welcome you to contact the City of DeWitt, 414 East Main Street, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

City of DeWitt
Downtown Development Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

June 30, 2011

	Special Revenue Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 16,837	\$ -	\$ 16,837
Investments	442,749	-	442,749
Interest receivable	382	-	382
TOTAL ASSETS	\$ 459,968		459,968
LIABILITIES	\$ -	-	-
FUND BALANCE/NET ASSETS			
Fund balance			
Assigned to downtown development	459,968	(459,968)	-0-
TOTAL LIABILITIES AND FUND BALANCE	\$ 459,968	-	-0-
NET ASSETS			
Unrestricted		\$ 459,968	\$ 459,968

See accompanying notes to financial statements.

City of DeWitt
Downtown Development Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/ STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

	Special Revenue Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Salaries	\$ 25,300	\$ -	\$ 25,300
Contractual services	1,588	-	1,588
Advertising and promotion	8,706	-	8,706
Audit	1,050	-	1,050
Operating expenditures/expenses	17,106	-	17,106
Maintenance	164	-	164
Miscellaneous	1,297	-	1,297
Capital outlay	1,840	-	1,840
TOTAL EXPENDITURES/EXPENSES	57,051	-0-	57,051
GENERAL REVENUES			
Property taxes	110,984	-	110,984
Interest	4,727	-	4,727
Other	3,290	-	3,290
TOTAL GENERAL REVENUES	119,001	-0-	119,001
NET CHANGE IN FUND BALANCE	61,950	(61,950)	-0-
CHANGE IN NET ASSETS	-	61,950	61,950
Fund balance/Net assets			
Beginning of year	398,018	-	398,018
End of year	\$ 459,968	\$ -0-	\$ 459,968

See accompanying notes to financial statements.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeWitt Downtown Development Authority was created on May 7, 1981, pursuant to Act 197 of the Public Acts of Michigan, 1975 as amended. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the City of DeWitt ordinance establishing the Authority.

The primary revenue of the City of DeWitt Downtown Development Authority is "tax increment revenue". The taxing units are required by law to transmit to the Authority that portion of the tax levy of all taxing bodies paid each year on the captured assessed value of all real and personal property located in the development area. The "captured assessed value" is basically defined as the amount in any one year by which the current assessed value of the project area exceeds the initial assessed value.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 4*, these financial statements are exclusive presentations of the financial condition and results of operations of the City of DeWitt Downtown Development Authority. The Authority is considered a component unit of the City of DeWitt, Michigan and is discretely presented in the City of DeWitt's (the primary government) financial statements. A copy of the City's audited financial statements may be obtained at the DeWitt City Hall.

2. Basis of Presentation and Measurement Focus

Combined financial statements are provided for the Governmental Fund Balance Sheet and the Statement of Net Assets, and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities. Descriptions of both presentations included in the basic financial statements are as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and property taxes and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation and Measurement Focus - continued

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The major fund of the Authority is:

Special Revenue Fund - The general operating fund is used to account for all financial resources of the Authority which are restricted to expenditures for downtown development purposes.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due. If/when both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Budgets and Budgetary Accounting

The annual budget of the Authority prepared by Authority management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget is prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Cash and Investments

Cash consists of the Authority's checking and savings accounts. Investments consist of temporary investments in certificates of deposit with original maturities of greater than 90 days. Investments are stated at fair value.

6. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

As of June 30, 2011, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking and savings	\$ 16,737	\$ 26,810
Certificates of deposit	442,749	442,749
	<u>\$ 459,486</u>	<u>\$ 469,559</u>

The cash caption on the basic financial statements includes \$100 of imprest cash.

City of DeWitt
Downtown Development Authority
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE B: CASH AND INVESTMENTS - CONTINUED

Deposits - continued

Deposits of the Authority are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Authority. As of June 30, 2011, the Authority accounts were insured by the FDIC for \$468,382 and the amount of \$1,177 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Authority held as cash and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash and investments were substantially higher at these peak periods than at year-end.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The Authority did not have any investments as of June 30, 2011, that were rated.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

The cash and investments referred to above have been reported in the cash or investments captions on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2011:

Cash	\$ 16,837
Investments	<u>442,749</u>
	<u>\$ 459,586</u>

NOTE C: RISK MANAGEMENT

The Authority, as a component unit of the City of DeWitt, is protected from losses as described in the note captioned "Risk Management" within the City's Annual Financial Report.

City of DeWitt
Downtown Development Authority

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE D: DETAILS OF FUND BALANCE CATEGORIES AND CLASSIFICATIONS

In February 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved have been replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the City of DeWitt Downtown Development Authority's highest level of decision-making authority is the Authority Board of Directors. Formal action that is required to be taken to establish a fund balance commitment is a resolution of the Authority Board of Directors.

For assigned fund balance, the Authority Board of Directors has not approved a policy indicating who is authorized to assign amount to a specific purpose. As a result, this authority is retained by the Authority Board of Directors.

The City of DeWitt Downtown Development Authority has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned.

REQUIRED SUPPLEMENTARY INFORMATION

City of DeWitt
Downtown Development Authority

Special Revenue Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2011

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 110,000	\$ 110,000	\$ 110,984	\$ 984
Interest	8,000	8,000	4,727	(3,273)
Other	3,000	3,000	3,290	290
TOTAL REVENUES	121,000	121,000	119,001	(1,999)
EXPENDITURES				
Current				
Salaries	32,000	32,000	25,300	6,700
Contractual services	8,400	8,400	1,588	6,812
Advertising and promotion	22,500	22,500	8,706	13,794
Audit	1,000	1,000	1,050	(50)
Operating expenses	22,800	22,800	17,106	5,694
Supplies	700	700	-	700
Maintenance	1,000	1,000	164	836
Miscellaneous	38,600	38,600	1,297	37,303
Capital outlay	25,000	25,000	1,840	23,160
TOTAL EXPENDITURES	152,000	152,000	57,051	94,949
NET CHANGE IN FUND BALANCE	(31,000)	(31,000)	61,950	92,950
Fund balance, beginning of year	398,018	398,018	398,018	-0-
Fund balance, end of year	<u>\$ 367,018</u>	<u>\$ 367,018</u>	<u>\$ 459,968</u>	<u>\$ 92,950</u>