

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

**YES NO Check each applicable box below.** (See instructions for further detail.)

1.   All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2.   There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3.   The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4.   The local unit has adopted a budget for all required funds.
5.   A public hearing on the budget was held in accordance with State statute.
6.   The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7.   The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8.   The local unit only holds deposits/investments that comply with statutory requirements.
9.   The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10.   There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11.   The local unit is free of repeated comments from previous years.
12.   The audit opinion is UNQUALIFIED.
13.   The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14.   The board or council approves all invoices prior to payment as required by charter or statute.
15.   To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name)		Telephone Number
Street Address		City      State      Zip
Authorizing CPA Signature 	Printed Name	License Number

# **City of East Jordan Downtown Development Authority**

**Charlevoix County, Michigan**

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**FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT**

**Year Ended June 30, 2007**

# City of East Jordan Downtown Development Authority

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For the year ended June 30, 2007

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**INDEPENDENT AUDITOR'S REPORT**

To the Authority Board  
City of East Jordan Downtown Development Authority  
Charlevoix County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of East Jordan Downtown Development Authority as of and for the year ended June 30, 2007 and 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Jordan Downtown Development 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 each major fund of the City of East Jordan Downtown Development Authority as of June 30, 2007 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.

In accordance with Government Auditing Standards, we have also issued a report dated December 14, 2007 on our consideration of the Authority's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

**Required Supplemental Information**

The Management's Discussion and Analysis and budgetary comparison information on pages 7 through 9 and page 32 and 45 are not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board  
City of East Jordan Downtown Development Authority  
Charlevoix County, Michigan

**Combining Financial Statements and Supplemental Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of East Jordan Downtown Development Authority' basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Douglas Wohlberg". The signature is written in a cursive style with a large, sweeping flourish at the end.

Douglas Wohlberg, CPA  
Statement of Activities  
December 14, 2007

## **MANAGEMENT DISCUSSION AND ANALYSIS**

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# City of East Jordan Downtown Development Authority

## Management's Discussion and Analysis

For the year ended June 30, 2007

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. 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 Authority's operations in more detail than the government-wide financial statements.

### The Authority as a Whole

The City of East Jordan Downtown Development Authority exists to account for property taxes "captured" in the Downtown Development District of the City of East Jordan. These taxes are used to pay administrative expenses and debt service incurred for projects to improve property and infrastructure in the Authority. The Authority Board is appointed by the City of East Jordan Commission. The Authority is a Component Unit of the City of East Jordan.

The Authority's combined net asset (deficit) decreased 7.89% from a year ago - from \$1,421,452 to \$1,309,307. This results from reduction of long-term debt.

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

	2007		2006	
<b>Current assets</b>	\$	693	\$	14,650
<b>Long-term debt outstanding</b>		1,310,000		1,435,000
<b>Other liabilities</b>		-		1,102
<b>Total liabilities</b>		1,310,000		1,436,102
<b>Net assets</b>				-
<b>Restricted</b>		476		13,450
<b>Unrestricted</b>		(1,309,783)		(1,434,902)
<b>Total net assets</b>	\$	(1,309,307)	\$	(1,421,452)

# City of East Jordan Downtown Development Authority

## Management's Discussion and Analysis

For the year ended June 30, 2007

The following table shows the changes of the net assets as of June 30, 2007:

	2007	2006
<b>General Revenue</b>		
Property tax	\$ 251,392	\$ 244,093
Unrestricted investment income	3,549	3,255
Miscellaneous	7,312	2,500
Transfers from primary government	17,068	-
<b>Total Revenues</b>	<b>279,321</b>	<b>249,848</b>
<b>Program expenses</b>		
Public works	68,904	60,581
Community and economic development	28,546	40,632
Transfers out	-	8,800
Interest on long-term debt	69,726	74,845
<b>Total expenses</b>	<b>167,176</b>	<b>184,858</b>
<b>Change in net assets</b>	<b>\$ 112,145</b>	<b>\$ 64,990</b>

The Authority's net assets continue to remain as expected. The capital assets purchased with the long-term debt is recorded in the financial statements of the City of East Jordan.

### Governmental Activities

The Authority's total governmental revenues increased by \$29,473, resulting from increases in captured property taxes.

Expenses decreased by \$17,682 during the year due primarily to reductions in debt payments..

### The Authority's Funds

Our analysis of the Authority's major funds begins on page 14, following the entity wide financial statements. The fund financial statements provide detail information about each fund. For clarity, all of the Authority's funds are considered Major Funds. The Authority Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Authority's major funds for 2007 include the TIFA Special Revenue Fund, the 1997A, 1998A, 2003A, 2003B and Bike Path Debt Service Funds and the Bike Path Capital Project Fund.

The TIFA Special Revenue Fund collects property taxes "captured" from properties in the Downtown Development District. This money is used to pay administrative expenses of the Authority and is transferred to the Debt Service Funds.

# **City of East Jordan Downtown Development Authority**

## **Management's Discussion and Analysis**

For the year ended June 30, 2007

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### **General Fund Budgetary Highlights**

Over the course of the year, the Authority Board amended the budget to take into account events during the year. No significant changes were made to the original budgets.

### **Capital Asset and Debt Administration**

The Authority has invested significantly in capital assets since its inception. Because the Authority will cease to exist when all debt is retired, these capital assets are recorded on the financial statements of the City of East Jordan.

### **Economic Factors and Next Year's Budgets and Rates**

Significant funding for the Authority comes from property taxes "captured" in the Downtown Development Authority. The Authority has the ability to levy sufficient property tax to make current debt service payments.

The Authority has received \$640,000 from MSHDA to help finance infrastructure improvements to the future site of a hotel. The Authority is also seeking to sell approximately \$135,000 of bonds to aid in the same project.

### **Contacting the Authority's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact Susan Moreau, the City's Treasurer at 201 Main Street, East Jordan, Michigan 49727, telephone (231) 536-3381.

## **GOVERNMENT WIDE FINANCIAL STATEMENTS**

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# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Statement of Net Assets

For the year ended June 30, 2007

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	Governmental activities
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 693
<b>TOTAL ASSETS</b>	<b>\$ 693</b>
<b><u>LIABILITIES</u></b>	
Due within one year	\$ 140,000
Due in more than one year	1,170,000
<b>TOTAL LIABILITIES</b>	<b>1,310,000</b>
<b><u>NET ASSETS</u></b>	
Restricted	476
Unrestricted	(1,309,783)
<b>TOTAL NET ASSETS</b>	<b>(1,309,307)</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 693</b>

See accompanying notes to basic financial statements.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Statement of Activities

For the year ended June 30, 2007

Functions/Programs	Expenses	Governmental activities
<b><u>FUNCTIONS/PROGRAMS</u></b>		
Public works	\$ 68,904	\$ (68,904)
Community and economic development	28,545	(28,545)
Interest on long-term debt	69,726	(69,726)
<b>Total Governmental activities</b>	<b>\$ 167,175</b>	<b>(167,175)</b>
<b>Capital outlay</b>		
<b><u>General Revenues</u></b>		
Property taxes		251,392
Unrestricted investment income		3,549
Miscellaneous		7,312
Transfers from primary government		17,067
<b>Total general revenues - special items and transfers</b>		<b>279,320</b>
<b>Change in net assets</b>		<b>112,145</b>
<b>Net assets at beginning of year</b>		<b>(1,421,452)</b>
<b>Net assets at end of year</b>		<b>\$ (1,309,307)</b>

See accompanying notes to basic financial statements.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Governmental Funds

Balance Sheet

June 30, 2007

	Special Revenue Fund		Debt Service Funds			
	TIFA Fund	1997A	1998A	2003A	2003B	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 217	\$ 98	\$ 100	\$ 99	\$ 79	
<b>TOTAL ASSETS</b>	<b>\$ 217</b>	<b>\$ 98</b>	<b>\$ 100</b>	<b>\$ 99</b>	<b>\$ 79</b>	
<b>LIABILITIES AND FUND EQUITY</b>						
<b>LIABILITIES</b>						
<b>FUND EQUITY</b>						
Reserved for						
Debt service	-	98	100	99	79	
Unreserved	217	-	-	-	-	
<b>TOTAL FUND BALANCES</b>	<b>217</b>	<b>98</b>	<b>100</b>	<b>99</b>	<b>79</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 217</b>	<b>\$ 98</b>	<b>\$ 100</b>	<b>\$ 99</b>	<b>\$ 79</b>	

See accompanying notes to basic financial statements.



		Capital Projects Fund		
<u>Bike Path</u>	<u>Bike Path</u>			<u>Total</u>
\$ 100	\$ -	\$		693
\$ 100	\$ -	\$		693

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100	-			476
-	-			217
100				693
\$ 100	\$ -	\$		693

See accompanying notes to basic financial statements.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Reconciliation of Fund Balance of Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets

For the year ended June 30, 2007

Total fund balances - total governmental funds	\$	693
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances at June 30, 2007 were:		
Bonds payable		(1,310,000)
Net assets of governmental activities	\$	(1,309,307)

See accompanying notes to basic financial statements.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

For the year ended June 30, 2007

	Special	Debt Service Funds			
	Revenue Fund	1997A	1998A	2003A	2003B
	TIFA Fund				
<b>REVENUE</b>					
Property taxes					
Current real property taxes	\$ 251,392	\$ -	\$ -	\$ -	\$ -
Interest and rentals					
Interest	3,549	-	-	-	-
Other revenue	7,312	-	-	-	-
<b>TOTAL REVENUE</b>	<b>262,253</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES</b>					
Current					
Public works	68,904	-	-	-	-
Debt Service	-	79,880	74,119	9,765	22,250
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>68,904</b>	<b>79,880</b>	<b>74,119</b>	<b>9,765</b>	<b>22,250</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>193,349</b>	<b>(79,880)</b>	<b>(74,119)</b>	<b>(9,765)</b>	<b>(22,250)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer in	17,067	79,880	74,119	9,765	22,250
Transfer out	(210,297)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(193,230)</b>	<b>79,880</b>	<b>74,119</b>	<b>9,765</b>	<b>22,250</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>98</b>	<b>98</b>	<b>100</b>	<b>99</b>	<b>79</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 217</b>	<b>\$ 98</b>	<b>\$ 100</b>	<b>\$ 99</b>	<b>\$ 79</b>

See accompanying notes to basic financial statements.

<b>Capital Projects Fund</b>		
<u>Bike Path</u>	<u>Bike Path</u>	<u>Total</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 251,392</u>
<u>-</u>	<u>-</u>	<u>3,549</u>
<u>-</u>	<u>-</u>	<u>7,312</u>
<u>-</u>	<u>-</u>	<u>262,253</u>
<u>-</u>	<u>-</u>	<u>68,904</u>
<u>8,713</u>	<u>-</u>	<u>194,727</u>
<u>-</u>	<u>28,545</u>	<u>28,545</u>
<u>8,713</u>	<u>28,545</u>	<u>292,176</u>
<u>(8,713)</u>	<u>(28,545)</u>	<u>(29,923)</u>
<u>8,713</u>	<u>15,571</u>	<u>227,365</u>
<u>-</u>	<u>-</u>	<u>(210,297)</u>
<u>8,713</u>	<u>15,571</u>	<u>17,068</u>
<u>-</u>	<u>(12,974)</u>	<u>(12,855)</u>
<u>100</u>	<u>12,974</u>	<u>13,548</u>
<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 693</u>

See accompanying notes to basic financial statements.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the year ended June 30, 2007

Net change in fund balances - total governmental funds	\$	(12,855)
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets		125,000
Change in net assets of government activities	\$	112,145

See accompanying notes to basic financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

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# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

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## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of East Jordan Downtown Development Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of East Jordan Downtown Development Authority:

### **A. Reporting Entity**

The City of East Jordan Downtown Development Authority was incorporated under the provisions of Act 197, P.A. 1975 as amended (the "DDA Act"). The Authority is organized to collect tax increment revenue and to implement improvements in a designated geographic area of the City of East Jordan. The Authority has a seven member board that is appointed by the City of East Jordan Commission. The Authority is considered a component unit of the City of East Jordan.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property taxes revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Authority has no business-type funds or component units.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers 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 items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The Authority has no proprietary or fiduciary funds.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

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## C. 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 a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the 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 Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City of East Jordan Downtown Development Authority's property tax is levied on each July 1 on the taxable valuation of property (as defined by State statutes) located in the City of East Jordan Downtown Development Authority as of the preceding December 31st.

Although the City of East Jordan Downtown Development Authority's 2006 ad valorem tax is levied and collectible on each July 1, it is the City of East Jordan Downtown Development Authority's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The Authority reports the following major governmental funds:

**Special Revenue Fund:**

TIFA Fund

**Debt Service Funds:**

1997 Series A

1998 Series A

2003 Series A

2003 Series B

Bike Path

**Capital Project Funds:**

Bike Path Capital Projects Fund

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

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Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

## D. Assets, Liabilities, and Net Assets or Equity

**Bank Deposits and Investments**--Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payables**--In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on July 31, at which time penalties and interest are assessed.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

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**Capital Assets**--Capital assets acquired by the Authority are recorded in the financial statements of the City of East Jordan.

**Long-Term Obligations**--In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activity statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**--In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data and Reclassifications**--Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Notes to Basic Financial Statements

For the year ended June 30, 2007

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**Budgetary Information--**Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements:

On or before May 1, the City Administrator and the Authority submits to the City Commission, a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.

A public hearing is conducted at the City Hall to obtain taxpayer comments.

On or before May 15 of each year, the budget is adopted by resolution.

The transfer of budgeted amounts between departments within any fund or any revisions that alter the total expenditures of any fund must be approved by the City Commission.

Budgeted amounts are presented as originally adopted, or as amended by the City Commission before June 30.

Budgets as presented for the Special Revenue Fund, Debt Service Funds and Capital Project Funds are prepared on the modified accrual basis of accounting on the activity level. Encumbrances are not recorded at year end. Budget appropriations lapse at the end of each fiscal year.

Budgetary amounts reported herein are as originally adopted, or as amended by the City Commission throughout the operating year.

The City Commission legally adopts budgets for the Special Revenue Fund, Debt Service Funds and Capital Project Funds.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved as amended by the Authority Board.

The legal level of control is at the fund expenditure totals for all funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

## Note 2 - DEPOSITS AND INVESTMENTS

State statutes and the Authority's investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Authority's deposits are in accordance with statutory authority.

As of June 30, 2007, the Authority had the following deposits.

Huntington National Bank	\$	198
Charlevoix State Bank		278
<b>Total</b>	<b>\$</b>	<b>476</b>

**Interest Rate Risk.** The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk.** The Authority places no limit on the amount the Authority may invest in any one issuer. More than five percent of the Authority's deposits are in the Huntington National Bank, 42%, and Charlevoix State Bank, 58%.

At year end, the Authority's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental</u>	
	<u>Activities</u>	
<u>Cash</u>	<u>\$</u>	<u>476</u>

The deposits of the Authority are pooled with the deposits of the City of East Jordan. Because of this, it is not feasible to determine the insured amount of the Authority's deposits.

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

## **NOTE 3 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

### Interfund Transfers

Transfers In	Transfers Out		Total
	TIFA Special Revenue Fund	Primary Government Sewer Fund	
Series 1997A Debt Service Fund	\$ 79,880	\$ -	\$ 79,880
Series 1998A Debt Service Fund	74,119	-	74,119
Series 2003A Debt Service Fund	9,765	-	9,765
Series 2003B Debt Service Fund	22,250	-	22,250
Bike Path Debt Service Fund	8,713	-	8,713
TIFA Fund	-	17,067	17,067
Bike Path Construction Fund	15,571	-	15,571
<b>Total</b>	<b>\$ 210,298</b>	<b>\$ 17,067</b>	<b>\$ 227,365</b>

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Notes to Basic Financial Statements

For the year ended June 30, 2007

## **NOTE 4 - LONG-TERM DEBT**

The Authority issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Authority and of the City of East Jordan.

Bond and contractual obligation activity can be summarized as follows:

	Interest rate	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
\$915,000 1997 Series A	5.1000 %	\$ 580,000	\$	\$ 50,000	\$ 530,000	\$ 55,000
\$785,000 1998 Series A	4.6250 %	515,000		50,000	465,000	50,000
\$210,000 2003 Series A	4.6500 %	210,000			210,000	
\$75,000 2003 Series B	5.0000 %	45,000		20,000	25,000	25,000
\$90,000 Bike Path Bonds	4.5000 %	85,000		5,000	80,000	10,000
<b>Totals</b>		<b>\$ 1,435,000</b>	<b>\$</b>	<b>\$ 125,000</b>	<b>\$ 1,310,000</b>	<b>\$ 140,000</b>

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

Year ended June 30,	Principal	Interest	Total
2008	\$ 140,000	\$ 62,926	\$ 202,926
2009	140,000	56,108	196,108
2010	145,000	49,380	194,380
2011	150,000	42,416	192,416
2012	155,000	35,156	190,156
2013	165,000	27,662	192,662
2014	170,000	19,708	189,708
2015	175,000	11,476	186,476
2016	20,000	3,255	23,255
2017	25,000	2,325	27,325
2018	25,000	1,162	26,162
<b>Totals</b>	<b>\$ 1,310,000</b>	<b>\$ 311,574</b>	<b>\$ 1,621,574</b>

Total interest expense incurred for the Authority for the year was \$69,726

## **NOTE 5 - RISK MANAGEMENT**

The City of East Jordan Downtown Development Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City of East Jordan Downtown Development Authority, as a component unit of the City of East Jordan, participates in the Michigan Municipal Risk Management Authority for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**REQUIRED SUPPLEMENTAL INFORMATION**

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# City of East Jordan

Charlevoix County, Michigan

TIFA Fund

Balance Sheet

June 30, 2007

	2007	2006
<b>ASSETS</b>		
Cash	\$ 217	\$ -
Due from other funds	-	1,200
<b>LIABILITIES AND FUND EQUITY</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 1,061
Due to other funds	-	41
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>1,102</b>
<b>FUND EQUITY</b>		
Fund balance	217	98
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 217</b>	<b>\$ 1,200</b>

# City of East Jordan

Charlevoix County, Michigan

TIFA Fund

## Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b>REVENUE</b>					
Property taxes	\$ 250,000	\$ 251,392	\$ 251,392	\$ -	\$ 244,093
Interest and dividends	3,000	4,000	3,549	(451)	3,127
Other	3,600	7,310	7,312	2	2,500
<b>TOTAL REVENUE</b>	<b>256,600</b>	<b>262,702</b>	<b>262,253</b>	<b>(449)</b>	<b>249,720</b>
<b>EXPENDITURES</b>					
Department of public works					
Salaries and wages	3,600	3,600	2,795	805	3,351
Payroll taxes	288	288	214	74	279
Supplies	4,100	4,432	3,489	943	3,092
Contractual services	38,800	58,389	27,897	30,492	42,975
Education	500	800	673	127	40
Utilities	2,000	2,000	1,513	487	1,653
Repairs and maintenance	9,000	9,000	7,898	1,102	7,571
Rent	2,000	2,000	2,114	(114)	1,620
Capital outlay	21,000	23,948	22,311	1,637	-
Debt service					
Principal	-	-	-	-	12,640
Interest expense	-	-	-	-	643
<b>TOTAL EXPENDITURES</b>	<b>81,288</b>	<b>104,457</b>	<b>68,904</b>	<b>35,553</b>	<b>73,864</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>175,312</b>	<b>158,245</b>	<b>193,349</b>	<b>35,104</b>	<b>175,856</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	17,067	17,067	-	1,200
Transfers out	(195,827)	(214,603)	(210,297)	4,306	(200,333)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(195,827)</b>	<b>(197,536)</b>	<b>(193,230)</b>	<b>4,306</b>	<b>(199,133)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(20,515)</b>	<b>(39,291)</b>	<b>119</b>	<b>39,410</b>	<b>(23,277)</b>
Fund balance beginning of year	98	98	98	-	23,375
Fund balance end of year	\$ (20,417)	\$ (39,193)	\$ 217	\$ 39,410	\$ 98

# City of East Jordan

Charlevoix County, Michigan

2003 Series A Debt Service Fund

Balance Sheet

June 30, 2007

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	2007	2006
<b><u>ASSETS</u></b>		
Cash	\$ 99	\$ 99
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND EQUITY</u></b>		
Fund balance	\$ 99	\$ 99

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# City of East Jordan

Charlevoix County, Michigan

2003 Series A Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b>EXPENDITURES</b>					
Interest	\$ 9,865	\$ 9,865	\$ 9,765	\$ 100	\$ 9,765
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(9,865)</b>	<b>(9,865)</b>	<b>(9,765)</b>	<b>100</b>	<b>(9,765)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	9,865	9,865	9,765	(100)	9,765
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance beginning of year</b>	<b>99</b>	<b>99</b>	<b>99</b>	<b>-</b>	<b>99</b>
<b>Fund balance end of year</b>	<b>\$ 99</b>	<b>\$ 99</b>	<b>\$ 99</b>	<b>\$ -</b>	<b>\$ 99</b>

# City of East Jordan

Charlevoix County, Michigan

1997 Series A Debt Service Fund

Balance Sheet

June 30, 2007

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	2007	2006
<u>ASSETS</u>		
Cash	\$ 98	\$ 98
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ 98	\$ 98

# City of East Jordan

Charlevoix County, Michigan

1997 Series A Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b>EXPENDITURES</b>					
Debt service					
Principal	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 50,000
Interest	29,580	29,580	29,580	-	32,130
Fees	500	500	300	200	300
<b>TOTAL EXPENDITURES</b>	<b>80,080</b>	<b>80,080</b>	<b>79,880</b>	<b>200</b>	<b>82,430</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<b>(80,080)</b>	<b>(80,080)</b>	<b>(79,880)</b>	<b>200</b>	<b>(82,430)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	80,080	80,080	79,880	(200)	82,430
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance beginning of year	98	98	98	-	98
Fund balance end of year	\$ 98	\$ 98	\$ 98	\$ -	\$ 98

# City of East Jordan

Charlevoix County, Michigan

1998 Series A Debt Service Fund

Balance Sheet

June 30, 2007

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	2007	2006
<b><u>ASSETS</u></b>		
Cash	\$ 100	\$ 100
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND EQUITY</u></b>		
Fund balance	\$ 100	\$ 100

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# City of East Jordan

Charlevoix County, Michigan

1998 Series A Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b>EXPENDITURES</b>					
Debt service					
Principal	\$ 50,000	\$ 50,000	\$ 50,000	\$ -	\$ 45,000
Interest	23,819	23,819	23,819	-	25,900
Fees	500	500	300	200	300
<b>TOTAL EXPENDITURES</b>	<b>74,319</b>	<b>74,319</b>	<b>74,119</b>	<b>200</b>	<b>71,200</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	<b>(74,319)</b>	<b>(74,319)</b>	<b>(74,119)</b>	<b>200</b>	<b>(71,200)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	74,319	74,319	74,119	(200)	71,200
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance beginning of year	100	100	100	-	100
Fund balance end of year	\$ 100	\$ 100	\$ 100	\$ -	\$ 100

# City of East Jordan

Charlevoix County, Michigan

2003 Series B Debt Service Fund

Balance Sheet

June 30, 2007

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	2007	2006
<b><u>ASSETS</u></b>		
Cash	\$ 79	\$ 79
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND EQUITY</u></b>		
Fund balance	\$ 79	\$ 79

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# City of East Jordan

Charlevoix County, Michigan  
 2003 Series B Debt Service Fund  
 Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b>EXPENDITURES</b>					
Debt service					
Principal	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	\$ 15,000
Interest	2,250	2,250	2,250	-	3,000
Fees	100	100	-	100	-
<b>TOTAL EXPENDITURES</b>	<b>22,350</b>	<b>22,350</b>	<b>22,250</b>	<b>100</b>	<b>18,000</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(22,350)	(22,350)	(22,250)	100	(18,000)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	22,350	22,350	22,250	(100)	18,000
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance beginning of year	79	79	79	-	79
Fund balance end of year	\$ 79	\$ 79	\$ 79	\$ -	\$ 79

# City of East Jordan

Charlevoix County, Michigan

2004 DDA Bike Path Debt Service Fund

Balance Sheet

June 30, 2007

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	2007	2006
<b><u>ASSETS</u></b>		
Cash	\$ 100	\$ 100
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
<b><u>FUND EQUITY</u></b>		
Fund balance	\$ 100	\$ 100

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# City of East Jordan

Charlevoix County, Michigan

2004 DDA Bike Path Debt Service Fund

Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b>EXPENDITURES</b>					
Debt service					
Principal	\$ 5,000	\$ 5,000	\$ 5,000	\$ -	\$ 5,000
Interest	4,213	4,213	3,713	500	3,938
<b>TOTAL EXPENDITURES</b>	<b>9,213</b>	<b>9,213</b>	<b>8,713</b>	<b>500</b>	<b>8,938</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>					
	(9,213)	(9,213)	(8,713)	500	(8,938)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	9,213	9,213	8,713	(500)	8,938
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance beginning of year	100	100	100	-	100
Fund balance end of year	\$ 100	\$ 100	\$ 100	\$ -	\$ 100

# City of East Jordan

Charlevoix County, Michigan

DDA Bike Path Construction Fund

Balance Sheet

June 30, 2007

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	2007	2006
<u>ASSETS</u>		
Cash	\$ -	\$ 12,974
<u>LIABILITIES AND FUND EQUITY</u>		
<u>FUND EQUITY</u>		
Fund balance	\$ -	\$ 12,974

# City of East Jordan

Charlevoix County, Michigan

DDA Bike Path Construction Fund

Budgetary Comparison Schedule

For the year ended June 30, 2007 with comparative actual amounts for 2006

	Original budget	Final budget	2007	Variance with final budget	2006
<b><u>EXPENDITURES</u></b>					
Capital outlay	\$ -	\$ 31,000	\$ 28,545	\$ 2,455	\$ 40,631
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(31,000)	(28,545)	2,455	(40,631)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>					
Transfers in	-	18,776	15,571	(3,205)	25,838
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	-	18,776	15,571	(3,205)	25,838
<b>NET CHANGE IN FUND BALANCES</b>	-	(12,224)	(12,974)	(750)	(14,793)
<b>Fund balance beginning of year</b>	12,974	12,974	12,974	-	27,767
<b>Fund balance end of year</b>	\$ 12,974	\$ 750	\$ -	\$ (750)	\$ 12,974

## OTHER SUPPLEMENTARY INFORMATION

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## **LONG-TERM DEBT**

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# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Schedule of Debt

\$915,000 Downtown Development Bonds, Series 1997A

June 30, 2007

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1	May 1	
2008	5.100%	\$ 55,000	\$ 13,515	\$ 13,515	\$ 82,030	
2009	5.100%	55,000	12,112	12,112	79,224	
2010	5.100%	60,000	10,710	10,710	81,420	
2011	5.100%	65,000	9,180	9,180	83,360	
2012	5.100%	70,000	7,522	7,522	85,044	
2013	5.100%	70,000	5,737	5,737	81,474	
2014	5.100%	75,000	3,953	3,953	82,906	
2015	5.100%	80,000	2,040	2,040	84,080	
<b>Totals</b>		<b>\$ 530,000</b>	<b>\$ 64,769</b>	<b>\$ 64,769</b>	<b>\$ 659,538</b>	

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$785,000 Downtown Development Bonds, Series 1998A

June 30, 2007

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1	May 1	
2008	4.625%	\$ 50,000	\$ 10,753	\$ 10,753	\$ 71,506	
2009	4.625%	55,000	9,597	9,597	74,194	
2010	4.625%	55,000	8,325	8,325	71,650	
2011	4.625%	55,000	7,053	7,053	69,106	
2012	4.625%	55,000	5,781	5,781	66,562	
2013	4.625%	65,000	4,509	4,509	74,018	
2014	4.625%	65,000	3,006	3,006	71,012	
2015	4.625%	65,000	1,503	1,503	68,006	
<b>Totals</b>		<b>\$ 465,000</b>	<b>\$ 50,527</b>	<b>\$ 50,527</b>	<b>\$ 566,054</b>	

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$210,000 Downtown Development Bonds, Series 2003A

June 30, 2007

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1	May 1	
2008	4.650%	\$ -	\$ 4,883	\$ 4,882	\$ 9,765	
2009	4.650%	20,000	4,883	4,882	29,765	
2010	4.650%	20,000	4,418	4,417	28,835	
2011	4.650%	20,000	3,963	3,962	27,925	
2012	4.650%	20,000	3,488	3,487	26,975	
2013	4.650%	20,000	3,023	3,022	26,045	
2014	4.650%	20,000	2,558	2,557	25,115	
2015	4.650%	20,000	2,083	2,082	24,165	
2016	4.650%	20,000	1,628	1,627	23,255	
2017	4.650%	25,000	1,163	1,162	27,325	
2018	4.650%	25,000	581	581	26,162	
<b>Totals</b>		<b>\$ 210,000</b>	<b>\$ 32,671</b>	<b>\$ 32,661</b>	<b>\$ 275,332</b>	

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

Schedule of Debt

\$75,000 Downtown Development Bonds, Series 2003B

June 30, 2007

Year End	Interest rate	Principal		Interest		Total
		May 1	November 1	May 1	May 1	
2008	5.000%	\$ 25,000	\$ 625	\$ 625	\$ 26,250	
Totals		\$ 25,000	\$ 625	\$ 625	\$ 26,250	

# City of East Jordan Downtown Development Authority

Charlevoix County, Michigan

## Schedule of Debt

\$90,000 Downtown Development Bonds, Bike Path

June 30, 2007

Year End	Interest rate	Principal		Interest		Total
		October 1	November 1	April 1	April 1	
2008	4.500%	\$ 10,000	\$ 1,800	\$ 1,575	\$ 13,375	
2009	4.500%	10,000	1,575	1,350	12,925	
2010	4.500%	10,000	1,350	1,125	12,475	
2011	4.500%	10,000	1,125	900	12,025	
2012	4.500%	10,000	900	675	11,575	
2013	4.500%	10,000	675	450	11,125	
2014	4.500%	10,000	450	225	10,675	
2015	4.500%	10,000	225	-	10,225	
<b>Totals</b>		<b>\$ 80,000</b>	<b>\$ 8,100</b>	<b>\$ 6,300</b>	<b>\$ 94,400</b>	

**AUDITORS' REPORTS**

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# DOUGLAS WOHLBERG

*Certified Public Accountant*

## COMMUNICATION WITH AUDIT COMMITTEE OR ITS EQUIVALENT

To the Authority Board  
City of East Jordan Downtown Development Authority  
Charlevoix County, Michigan

We have audited the general purpose financial statements of the City of East Jordan Downtown Development Authority, Charlevoix County, Michigan for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the general purpose financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the City of East Jordan Downtown Development Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the City of East Jordan Downtown Development Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of East Jordan Downtown Development Authority are described in Note 1 to the general purpose financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2007. We noted no transactions entered into by the City of East Jordan Downtown Development Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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

This information is intended solely for the use of the Authority Board and management of the City of East Jordan Downtown Development Authority and is not intended to be and should not be used by anyone other than these specified parties.



Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
December 14, 2007

## MANAGEMENT COMMENTS LETTER

To the Authority Board  
City of East Jordan Downtown Development Authority  
Charlevoix County, Michigan

In planning and performing our audit of the financial statements of the City of East Jordan Downtown Development Authority for the year ended June 30, 2007, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the City of East Jordan Downtown Development Authority's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no material weaknesses.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

This report is intended solely for the information and use of the Authority, management, and others within the administration or the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

These conditions were considered in determining the nature, timing, and extent of the audit tests applied in our audit of the June 30, 2007 financial statements, and this report does not affect our report on those financial statements dated December 14, 2007. We have not considered the internal control since the date of our report.



Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
December 14, 2007

*Certified Public Accountant*

## **Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Authority Board  
City of East Jordan Downtown Development Authority  
Charlevoix County, Michigan

We have audited the financial statements of City of East Jordan Downtown Development Authority, Charlevoix County, Michigan as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of East Jordan Downtown Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of East Jordan Downtown Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of East Jordan Downtown Development Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of East Jordan Downtown Development Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of East Jordan Downtown Development Authority's financial statements that is more than inconsequential will not be prevented or detected by the City of East Jordan Downtown Development Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of East Jordan Downtown Development Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of East Jordan Downtown Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Authority Board  
City of East Jordan Downtown Development Authority  
Charlevoix County, Michigan

This report is intended solely for the information and use of management, the City of East Jordan Downtown Development Authority Statement of Net Assets, others within the City of East Jordan Downtown Development Authority, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Douglas Wohlberg". The signature is written in a cursive style with a large, sweeping flourish at the end of the last name.

Douglas Wohlberg, CPA  
Grand Rapids, Michigan  
December 14, 2007