Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	FLINT CITY DDA	GENESEE

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
6/30/2007	9/19/2007	

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	☒	
The letter of Comments and Recommendations	☒	
Other (Describe)	☐	

Certified Public Accountant (Firm Name)		Telephone Number	
TAYLOR & MORGAN, PC		810-230-8200	
Street Address	**City**	**State**	**Zip**
G-2302 STONEBRIDGE DRIVE	FLINT	MI	48532
Authorizing CPA Signature	**Printed Name**	**License Number**	
Lawrence A. Gawthrop	LAWRENCE GAWTHROP	1101025859	

Flint Downtown Development Authority
June 30, 2007

Board of Directors

Mayor Don Williamson	Chairman
Louis Hawkins	Treasurer
Barbara Veasley	Secretary
Harry Blecker	
Inez Brown	
Loyst Fletcher	
Bob Kittle	
Deborah Pascoe	
Ken Pierpointe	
Doris Thomas	
David White	

Flint Downtown Development Authority
for the Fiscal Year Ended June 30, 2007

Table of Contents

Taylor & Morgan

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

September 19, 2007

Board of Directors
Flint Downtown Development Authority
Flint, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flint Downtown Development Authority (Authority), a component unit of the City of Flint, Michigan, as of and for the year ended June 30, 2007 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 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 includes examining, on a test basis, evidence supporting the amount 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Flint Downtown Development Authority as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund are not required parts of the basic financial statements, but are supplementary information the Governmental Accounting Standards Board requires. We applied limited procedures, consisting 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 thereon.

Sincerely,

Taylor & Morgan, PC

TAYLOR & MORGAN, P.C.
Certified Public Accountants

G-2302 STONEBRIDGE DRIVE, BUILDING D, FLINT, MICHIGAN 48532
(810) 230-8200 FAX # (810) 230-8203

Management's Discussion and Analysis

Flint Downtown Development Authority
Management's Discussion and Analysis

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2007. Please read it in conjunction with the Authority's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No. 34

In accordance with Governmental Accounting Standards Board Statement No. 34's reporting requirements we have prepared this letter, which should provide a comparative analysis between the current year and prior year financial information. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Authority's Total Net Assets are $6.1 million
- During the year, the Authority's expenses totaled $1,201,196 which was more than the $1,020,683 generated in taxes and other revenues.
- Total net assets decreased $180,513 during 2007.
- General fund revenues and other sources exceeded expenditures by $16,495.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Authority government, reporting the Authority's operations in more detail than the government-wide statements.
  - The governmental fund statements tell how general government services like community development were financed in the short-term as well as what remains for future spending
  - Proprietary fund statements offer short and long-term financial information about the parking system that the government operates like a business.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the Authority's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To asses the overall health of the Authority you need to consider additional non-financial factors such as changes in the Authority's property tax base.

The government-wide financial statements of the Authority are divided into two categories:

- Governmental activities – Most of the Authority's basic services are included here, such as community development and general administration. Property taxes and state and federal grants finance most of these activities.
- Business-type activities – the Authority charges fees to customers to help it cover the costs of certain services it provides. The Authority's parking facilities are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds – not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Authority's Board establishes other funds to control and manage money for particular purposes or to show that it is properly using restricted grants.

The Authority has two kinds of funds:

- Governmental funds – Most of the Authority's basic services are included in the two governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the statements or subsequent page that explains the relationship (or differences) between the two sets of statements.
- Proprietary Funds – Services for which the Authority charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Financial Analysis of the Authority as a Whole

Changes in Net Assets

The Authority's combined net assets are $6.1 million. In comparison, last year net assets were $6.3 million, a decrease of $ .2 million. Of this decrease, depreciation expense was approximately $146,000.

Governmental Activities

Total revenues were $239,948 and the total expenditures and operating transfers were $256,443, resulting in a fund balance decrease of $16,495.

Business Type Activities

Parking revenue decreased to $565,537 for the year ended 2007, compared to $584,611 for the same period ended in 2006. This was attributable, in part, to a decrease in the hours of operation of the surface lot attendant.

Operating expenses decreased to $944,579 compared with 1,020,744 for the same period ended in 2006. Of these amounts depreciation totaled $146,174 and 227,421, respectively.

Overall, the parking fund incurred an operating loss of $163,844 compared to a loss of $234,935 for the same period ended in 2006.

Financial Analysis of the Authority's Funds

At the end of the fiscal year, the Authority's combined Governmental Fund balances decreased $16,945 and totaled $454,663.

General Fund Budgetary Highlights

Variances between the final amended budget and actual results consisted of the following:

Revenues were less than budgeted in tax collections in both the initial and final amendments.

The expenditure variance in total was approximately 3% of actual expenses.

Capital Assets

At June 30, 2007, the Authority had $5.9 million invested in capital assets, net of accumulated depreciation. There were $34,711 in additions and no disposals of fixed assets in the current year, and the recording and presentation of these assets are in conformity with the standards promulgated by the Governmental Accounting Standards Board (GASB).

Economic Factors

The unemployment rate for the City of Flint remained fairly constant as did that of Genesee County. The inflation rate and the "Headlee" millage reduction fraction formula remained unchanged from the prior year. These values, along with the taxable value of the properties within the City limits determine the anticipated property tax revenues.

Contacting the Authority's Financial Administration

Any questions concerning this report, as well as the need for additional financial information should be directed to the following:

Lawrence P. Ford
Flint Downtown Development Authority
412 South Saginaw Street
Flint, MI 48502
(810) 767-2297

Basic Financial Statements

Flint Downtown Development Authority
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 379,787	$ 700	$ 380,487
Accounts receivable	-	9,356	9,356
Due from other funds	85,896	-	85,896
Non-current loan receivable	767,837	-	767,837
Capital assets (net of accumulated depreciation)	34	5,916,278	5,916,312
Total Assets	1,233,554	5,926,334	7,159,888
Liabilities			
Accounts payable	-	3,012	3,012
Accrued liabilities	11,020	-	11,020
Deposits payable	-	15,825	15,825
Unearned revenue	-	6,977	6,977
Due to other funds	-	85,896	85,896
Non-current loan payable	767,837	106,519	874,356
Total Liabilities	778,857	218,229	997,086
Net Assets			
Invested in capital assets, net of related debt	34	5,916,278	5,916,312
Restricted for capital improvements	-	10,570	10,570
Unrestricted	454,663	(218,743)	235,920
Total Net Assets	$ 454,697	$ 5,708,105	$ 6,162,802

See notes to financial statements

Flint Downtown Development Authority
Statement of Activities
For the Year Ended June 30, 2007

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental activities:						
Development administration	$ 256,443	$ -	$ -	$ (256,443)	$ -	$ (256,443)
Community promotion and development	174	-	-	(174)	-	(174)
Total governmental activities	256,617	-	-	(256,617)	-	(256,617)
Business-type activities:						
Parking	944,577	780,735	-	-	(163,842)	(163,842)
Total government	$ 1,201,194	$ 780,735	$ -	(256,617)	(163,842)	(420,459)
General revenues:						
Property taxes				54,040	-	54,040
Unrestricted investment earnings				16,013	-	16,013
Unrestricted other revenues				169,895	-	169,895
Total general revenues				239,948	-	239,948
Change in net assets				(16,669)	(163,842)	(180,511)
Net assets - beginning				471,366	5,871,947	6,343,313
Net assets - ending				$ 454,697	$ 5,708,105	$ 6,162,802

Flint Downtown Development Authority
Balance Sheet
Governmental Funds
June 30, 2007

	General	Total Governmental Funds
Assets		
Cash and cash equivalents	$ 379,787	$ 379,787
Due from other funds	85,896	85,896
Non-current loan receivable	767,837	767,837
Total Assets	$ 1,233,520	$ 1,233,520
Liabilities and Fund Balance		
Liabilities:		
Accrued liabilities	$ 11,020	$ 11,020
Non-current loan payable	767,837	767,837
Total Liabilities	778,857	778,857
Fund balances:		
Unreserved - undesignated	454,663	454,663
Total Liabilities and Fund Balances	$ 1,233,520	$ 1,233,520

Amounts reported for governmental activities in the statement of net assets are different because:	
Fund Balance Unreserved-undesignated (from above)	$ 454,663
Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	767,837
Long-term liabilities, including long-term notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(767,837)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	34
Net assets of governmental activities	$ 454,697

See notes to financial statements

Flint Downtown Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2007

	General	Total Governmental Funds
Revenues:		
Property taxes	$ 54,040	$ 54,040
Parking administrative fees	169,895	169,895
Interest	16,013	16,013
Total Revenues	239,948	239,948
Expenditures:		
Development administration	256,443	256,443
Total Expenditures	256,443	256,443
Excess of revenues over expenditures	(16,495)	(16,495)
Excess of revenues over expenditures	(16,495)	(16,495)
Fund balance - beginning of year	471,158	471,158
Fund balance - end of year	$ 454,663	$ 454,663

See notes to financial statements

Flint Downtown Development Authority
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

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances	$	(16,495)
Governmental funds report capital outlay as expenditures; however, in the statement of activities, the costs of these assets are allocated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays.		(174)
Change in net assets of governmental activities	$	(16,669)

See notes to financial statements

Flint Downtown Development Authority
Statement of Net Assets
Proprietary Funds
June 30, 2007
With Comparative Totals for June 30, 2006

	Downtown Operations	
	June 30, 2007	June 30, 2006
Assets		
Current assets		
Cash and cash equivalents	$ 700	$ 27,686
Accounts receivable	9,356	33,800
Due from other funds	-	40,367
Total current assets	10,056	101,853
Property and equipment - net	5,916,278	5,909,868
Total assets	5,926,334	6,011,721
Liabilities		
Current liabilities		
Accounts payable	3,012	14,550
Deposits payable	15,825	15,525
Due to other funds	85,896	-
Unearned revenue	6,977	109,700
Total current liabilities	111,710	139,775
Long-term liabilities		
N/P - Amano	106,519	-
Total long-term liabilities	106,519	-
Total liabilities	218,229	139,775
Net Assets		
Invested in capital assets, net of related debt	5,916,278	5,909,868
Restricted for maintenance	10,570	10,570
Unrestricted	(218,743)	(48,491)
Total net assets	$ 5,708,105	$ 5,871,947

See notes to financial statements

Flint Downtown Development Authority
Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	Downtown Operations	
	June 30, 2007	June 30, 2006
Operating revenues:		
Parking revenues	$ 565,537	$ 584,611
Rental income	2,025	1,125
Operating grants	213,173	200,073
Total operating revenues	780,735	785,809
Operating expenses:		
Accounting services	19,530	18,095
Contract labor	288,794	323,257
Contracted services	1,592	12,069
Depreciation	146,174	227,421
Administration fees	169,895	172,557
Insurance	37,394	40,445
Maintenance and repairs	166,157	142,158
Gasoline and auto expense	35,161	26,046
Office expense	3,881	3,345
Communication	1,369	4,644
Taxes	7,495	-
Utilities	63,641	47,247
Miscellaneous	3,494	3,460
Total operating expenses	944,577	1,020,744
Operating loss	(163,842)	(234,935)
Non-operating revenues (expenses):		
Grants for capital acquisition	-	32,700
Total non-operating revenues(expenses)	-	32,700
Change in net assets	(163,842)	(202,235)
Net assets - beginning of year	5,871,947	6,074,182
Net assets - end of year	$ 5,708,105	$ 5,871,947

See notes to financial statements

Flint Downtown Development Authority
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	June 30, 2007	June 30, 2006
Cash flows from operating activities:		
Receipts from customers	$ 592,306	$ 585,736
Receipts from operating grants	110,450	200,073
Payments to vendors	(640,044)	(582,607)
Payments for interfund services	(43,632)	(172,557)
	19,080	30,645
Cash flows from investing activities:		
Purchase of new capital assets	(34,713)	(38,159)
Cash flows from noncapital financing activities:		
Receipts from grantors for capital acquisitions	-	32,700
Cash flows from capital financing activities:		
Payments on note payable	(11,353)	-
Net increase/(decrease) in cash and cash equivalents	(26,986)	25,186
Cash and equivalents - beginning of year	27,686	2,500
Cash and cash equivalents - end of year	$ 700	$ 27,686
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (163,842)	$ (234,935)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	146,174	227,421
Changes in operating assets and liabilities:		
Accounts receivable	24,444	(33,800)
Due from/(to) other funds	126,265	19,057
Accounts payable	(11,538)	690
Deposits payable	300	325
Deferred revenue	(102,723)	51,887
Total adjustments	182,922	265,580
Net cash provided/(used) by operating activities	$ 19,080	$ 30,645

See notes to financial statements

Notes to Financial Statements

Flint Downtown Development Authority
Notes to Financial Statements
June 30, 2007

1. **Summary of significant accounting policies**

The Flint Downtown Development Authority (Authority) was incorporated in 1977 and is located in Genesee County, Michigan. The purposes for which the Authority was organized are as follows: to act as a downtown development authority in accordance with Act 197 of the Public Acts of 1975, as such statute may from time to time be amended; including particularly to correct and prevent deterioration in the downtown district; to encourage historical preservation; to create and implement development plans in the district; and to encourage the expansion of commercial enterprises in the downtown district.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting entity:

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Flint Downtown Development Authority (Authority) and its component units, entities for which the Authority is considered to be financially accountable. The Authority itself is considered a "component unit" of the City of Flint's governmental operation. As a result, industry standards require the City to include the financial activities of the Authority in the City's financial statements. The financial statements of the City of Flint are available for public inspection at City Hall. Currently, the Authority has no component units based on the criteria of the Government Accounting Standards Board Statement #14.

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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 revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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, as are the proprietary fund financial statements. Revenues are 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 revenues 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.

1. **Summary of significant accounting policies** – (continued)

C. Measurement focus, basis of accounting, and financial statement presentation: - (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and grant revenue associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The Downtown Operations Fund accounts for the operation of several parking facilities in the downtown area.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with guidance of the Governmental Accounting Standards Board. The government has elected not to follow private-sector guidance issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are administrative charges paid by the Enterprise Funds for services provided by the General Fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

C. Measurement focus, basis of accounting, and financial statement presentation: - (continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority proprietary funds relate to charges to customers for parking space rentals. Operating expenses for proprietary funds include the cost of services, operating and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1. **Summary of significant accounting policies** – (continued)

D. Assets, liabilities, and net assets or equity:

Cash and Investments:

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 180 days. The Authority reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the Authority to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), or National Credit Union Administration (NCUA), respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The Authority is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments outlined above.

Receivables and payables:

In general, outstanding balances between funds are reported as "due 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."

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

Capital assets:

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment, is depreciated using the straight-line method over the following useful lives:

Land improvements	5 to 24 years
Parking facility equipment	5 to 10 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Computer equipment	5 to 7 years

1. **Summary of significant accounting policies** – (continued)

D. Assets, liabilities, and net assets or equity: - (continued)

Compensation absences (vacation and sick leave):

It is the Authority's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The unpaid sick and vacation at June 30, 2007 was $-0-, as no current employees are eligible for such payments.

Long-term obligations:

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statements of net assets.

Restricted net assets:

The Authority Board designated that certain parking revenues be set aside for maintenance. These amounts have been classified as restricted net assets.

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. There are no reservations or designations of fund balance at June 30, 2007.

E. Budgetary data:

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

1. Prior to June 30, the director submits to the board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund. A Special Revenue Fund budget was not adopted for the year ended June 30, 2007 due to all activity being funded completely from State grants.

2. Prior to June 30, the budget is legally enacted on a total fund basis for the General Fund.

3. The director is authorized to transfer budgeted amounts within the fund appropriation accounts, however, any revisions that alter the total expenditures of the General Fund must be approved by the board.

4. Formal budgetary integration is employed as a management control device during the year for the General Fund. Also, the budget was adopted on a basis consistent with generally accepted accounting principles.

5. Budget appropriations lapse at year end except for approved contracts.

1. **Summary of significant accounting policies** – (continued)

F. Property taxes:

Property taxes are levied each July 1, on the taxable value determined as of December 31 of the preceding year for all taxable real and personal property located in the Downtown Development Authority District. Assessed values are established annually and equalized by the state at an estimated 50% of current market value. The Authority is permitted by state law to levy up to $2.00 (2 mills) per $1,000 of taxable valuation for development of the downtown district. For the year ended June 30, 2007, the DDA levied 1.9984 mills. Taxes are collected by the City of Flint in three equal installments on July 31, October 31, and February 28, following the levy date and remitted to the Authority. Authority property tax revenues are recognized as revenues in the fiscal year levied to the extent that they are measurable and available.

2. **Deposits and investments**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. Cumulatively, portfolios of the Authority may not be invested in any given financial institution in excess of 5% of such institution's total assets. Additionally, no more than 5% of the total City portfolio may be placed with any single financial institution with the exception of repurchase agreements. U.S. government securities and 2a7-like investment pools are excluded from these restrictions.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the Authority's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2007, the Authority had $302,646 of its deposit balances uninsured and uncollateralized.

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the Authority through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Authority is not authorized to invest in investments that would be subject to this type of risk.

3. **Receivables**

Receivables as of June 30, 2007 for the Authority's individual funds are as follows:

	General Fund
Loan receivable	$767,837

The land contract of $75,759 is fully reserved.

There is no additional allowance for uncollectible accounts, as all amounts are considered collectible.

Non-current loan receivable:

The Authority entered into an $800,000 loan agreement with Uptown Reinvestment Corporation, a Michigan-based nonprofit organization, in July 2001. The loan bears interest at 6% per annum commencing April 1, 2004. Loan payments, including interest are payable to the Authority in equal $23,500 quarterly installments commencing April 1, 2004. The loan matures April 1, 2014. A total of $767,837 has been loaned to date. The funds to make the loan were obtained from monies borrowed from the City of Flint (see Note 6).

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of June 30, 2007 there was $6,977 of deferred revenue for prepaid monthly parking.

4. **Interfund receivables and payables**

Individual fund receivable and payable balances at June 30, 2007, were:

Fund	Interfund Receivables	Interfund Payables
General Fund:		
Due to Proprietary Fund	$	$ 85,896
Proprietary Fund		
Due from General Fund	85,896	
	$ 85,896	$ 85,896

5. **Capital assets**

Capital asset activities of the Authority for the current year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets being depreciated:				
Office furniture and equipment	$ 47,186	$	$	$ 47,186
Less accumulated depreciation for:				
Office furniture and equipment	46,978	174		47,152
Governmental type activities capital:				
Total capital assets, net of depreciation	$ 208	$ (174)	$	$ 34

5. **Capital assets** – (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities:				
Capital assets not being depreciated:				
Land	$ 5,498,512	$	$	$ 5,498,512
Capital assets being depreciated:				
Building and equipment	298,411	152,584		450,995
Leasehold improvements	5,519,160			5,519,160
Land improvements	1,457,327			1,457,327
Total Capital assets being depreciated	7,274,898	152,584		7,427,482
Less accumulated depreciation for:				
Building and equipment	230,882	29,742		260,624
Leasehold improvements	5,220,334	86,432		5,306,766
Land improvements	1,412,326	30,000		1,442,326
Subtotal	6,863,542	146,174		7,009,716
Business type activities capital:				
Total capital assets, net of depreciation	$ 5,909,868	$ 6,410	$	$ 5,916,278

Depreciation expense was charged to programs of the Authority as follows:

Governmental activities:		
Development administration	$	174
Total governmental activities	$	174
Business type activities:		
Parking	$	146,174
Total business type activities	$	146,174

6. **Long-term loan payable**

In July 2001, the Authority obtained a $767,837 loan from the City of Flint (City). In accordance with the loan agreement, the Authority loaned the City of Flint's MDEC Core Communities Fund Program funds to Uptown Reinvestment Corporation for the purpose of financing property acquisition under a local economic development project. The loan bears interest at the rate of 6% per annum commencing April 1, 2004. Loan payments including interest, are payable in equal $23,500 quarterly installments commencing April 1, 2004. The loan matures April 1, 2014. The principal amount due to the City may be reduced based on the amount of third party private investment generated as a result of funded development. Principal of $266,667 will be forgiven for each $1,000,000 of private investment in excess of $4,900,000. The debt is recorded as a long-term loan payable in the General Fund.

6. **Long-term loan payable** – (continued)

In December 2003, URC received a letter of approval for an amendment to their original financing agreement extending the completion of projects to March 31, 2006 and defers interest through this date. Beginning on April 1, 2006 interest will accrue at 6% per annum and payments of principal and interest are required quarterly through April 1, 2018 at amounts sufficient to fully retire the debt.

The amendment also lowered the "threshold" amount for the credits to $3,000,000 with the remaining terms constant.

Year Ended	Governmental Activities	
June 30	Principal	Interest
2007	43,783	44,000
2008	46,483	41,299
2009	49,350	38,432
2010	52,394	35,389
2011	55,626	32,157
2012-2016	334,025	104,890
2017-2018	164,231	11,335
Total	$ 745,892	$ 307,502

In 2006, the Michigan Economic Development Corporation granted an extension on the fulfillment of the requirements of the grant. The terms remain the same as the amended agreement and expire on April 1, 2008.

See related long-term note receivable arrangement as described in Note 3.

7. **Risk management**

The Authority has purchased insurance coverage through various policies for general liability on Authority property including off-site parking lots. The Authority also has an umbrella policy and also one for worker's compensation.

The premiums are paid by the General Fund and the Parking Proprietary Fund and are recorded as expenditures/expenses as incurred. There has been no significant reduction in insurance coverage from the prior year. Settlements have not exceeded insurance coverage during the last three fiscal years.

8. **Contingent liabilities**

A. Claims:

There are several pending injury claims in which the Authority is involved. The Authority's attorney estimates that the claims against the Authority not covered by insurance resulting from litigation would not materially affect the operations or financial condition of the Authority.

B. State Grants:

The Authority participates in state assisted grant programs. The programs are subject to compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

9. **Leases**

The Authority leases two Ford Expeditions. The leases are payable over 36 months beginning February 2006. The lease expense for the years ended June 30, 2007 and June 30, 2006 was $17,351 and $5,784 respectively. The Authority also leases a 4 x 4 Gator and 300X Loader from John Deere. The lease is payable over 36 months beginning August 2005. The lease expense for the years ended June 30, 2007 and June 30, 2006 was $7,788 and $6,522 respectively. The minimum future payments required under the operating leases at June 30, 2007 are as follows:

June 30,	Total Amount
2008	$ 25,139
2009	12,866
	$ 38,005

10. **Capital Lease**

In February 2007, the Authority financed the purchase of parking equipment from Amano Business Credit. The monthly payments under this agreement are $4,067 for 36 months. The minimum future payments required under the operating leases at June 30, 2007 are as follows:

June 30,	Total Amount
2008	$ 48,799
2009	48,799
2010	40,666
	$ 138,264

Required Supplementary Information

Flint Downtown Development Authority
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

	Budget			Variance-Favorable
	Original	Amended	Actual	(Unfavorable)
Revenues:				
Taxes	$ 55,000	$ 64,000	$ 54,040	$ (9,960)
Parking administrative fees	175,268	168,000	169,895	1,895
Interest	15,032	16,000	16,013	13
Total Revenues	245,300	248,000	239,948	(8,052)
Expenditures:				
Development administration:				
Salaries, wages and deferred compensation	120,000	135,000	130,235	4,765
Fringe benefits and payroll taxes	36,500	33,000	39,328	(6,328)
Accounting and audit	8,000	8,600	8,370	230
Office supplies	6,500	6,300	5,617	683
Legal counsel	7,000	10,000	17,380	(7,380)
Insurance and bonds	10,000	9,000	13,221	(4,221)
Dues and subscriptions	700	500	315	185
Meetings	500	500	-	500
Bank charges	2,000	2,200	2,101	99
Utilities	7,000	9,500	8,448	1,052
Repairs and maintenance	5,500	4,500	2,673	1,827
Rent	12,900	12,900	12,900	-
Contract services	27,700	15,500	15,500	-
Miscellaneous	1,000	500	355	145
Total expenditures	245,300	248,000	256,443	(8,443)
Excess (deficiency) of revenues over expenditures	-	-	(16,495)	(16,495)
Excess (deficiency) of revenues over expenditures	-	-	(16,495)	(16,495)
Fund balance - beginning of year	443,765	443,765	443,765	-
Fund balance - end of year	$ 443,765	$ 443,765	$ 427,270	$ (16,495)

Taylor & Morgan

Certified Public Accountants

November 19, 2007

To the Board of Directors of
City of Flint, Downtown Development Authority

We have audited the basic financial statements of City of Flint, DDA (the Authority) for the year ended June 30, 2007, and have issued our report thereon dated September 19, 2007. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Audited Standards
As stated in our engagement letter dated July 24, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the basic 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, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we made a study and evaluation of the plan's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and accordingly do not express such an opinion.

Internal Control over Financial Reporting
In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and do not provide assurance on the internal control over financial reporting.

Our consideration of the internal control over the financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a 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 misstatements 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 matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

G-2302 STONEBRIDGE DRIVE, BUILDING D, FLINT, MICHIGAN 48532
(810) 230-8200 FAX # (810) 230-8203

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 City of Flint, DDA are described in Note 1 to the financial statements. We noted no transactions entered into by the 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.

Significant Audit Adjustments
For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

Disagreements with Management
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter 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.

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 a certain situation. If a consultation involves application of an accounting principle to the Authority'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.

Issues Discussed Prior to Retention of Independent Auditors
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention of as the City of Flint, DDA's auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit
We encountered no difficulties in dealing with management in performing our audit.

Management Comments and Recommendations

Recordkeeping/Document Retention
As part of our testing of internal controls, we test sample disbursements for a variety of attributes including proper support documentation. We experienced significant difficulties in obtaining documentation related to the security contracts. We recommend that additional time and attention be given to the filing and retention of records to ensure that all necessary documents are retained and readily accessible.

Grant Reporting
The accounting records reflected the grant revenue and expenditures separately in the current year, however, there were misclassifications found. This is a good indicator that no year-end procedures were performed on these grants (reconciling revenues and expenses by grant). In order to maintain accurate grant reporting as required by all of the grantors, the DDA needs to implement a monthly procedure to verify grant revenues and expenses are being recorded properly.

Budgeting

The DDA overspent its budget by $8,443 which is a violation of the Uniform Budgeting Act. The final amended budget was understated in the areas of personnel, legal and insurance. We strongly recommend that the DDA modify its budgeting process to ensure that the expenses are more accurately projected avoiding State of Michigan budget violations.

Year-End Accounting

In accordance with generally accepted procedures, there are standard year-end closing entries made to the accounting records to conform with Generally Accepted Accounting Procedures (GAAP). These adjustments related to accounts payable, accounts receivable, deferred revenues, and payroll related accruals, were not made in the current year. These adjustments, when not made, delay us in performing the audit as some of the balances provided to us are not complete. We recommend that these procedures be completed in a timely fashion in future years.

This information is intended solely for the use of the Board of Directors of City of Flint, DDA and its management and should not be used for any other purpose.

Taylor & Morgan, PC

Taylor & Morgan, P.C., CPA's
Flint, MI