

# 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 checked="" type="checkbox"/> Other		Local Unit Name Buena Vista Charter Township – Downtown Development Authority	County Saginaw
Fiscal Year End December 31, 2007	Opinion Date May 16, 2008	Date Audit Report Submitted to State May 30, 2008	

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                                  | <b>Check each applicable box below.</b> (See instructions for further detail.)   |
|-----|-------------------------------------|--|
| 1.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.  |
| 4.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> The local unit has adopted a budget for all required funds.   |
| 5.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> A public hearing on the budget was held in accordance with State statute.   |
| 6.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> 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.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.  |
| 8.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> The local unit only holds deposits/investments that comply with statutory requirements.   |
| 9.  | <input checked="" type="checkbox"/> | <input type="checkbox"/> The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin).  |
| 10. | <input checked="" type="checkbox"/> | <input type="checkbox"/> 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. | <input checked="" type="checkbox"/> | <input type="checkbox"/> The local unit is free of repeated comments from previous years.  |
| 12. | <input checked="" type="checkbox"/> | <input type="checkbox"/> The audit opinion is UNQUALIFIED.   |
| 13. | <input checked="" type="checkbox"/> | <input type="checkbox"/> 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. | <input checked="" type="checkbox"/> | <input type="checkbox"/> The board or council approves all invoices prior to payment as required by charter or statute.  |
| 15. | <input checked="" type="checkbox"/> | <input type="checkbox"/> 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 checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.		Telephone Number 989-793-9830
Street Address 3023 Davenport	City Saginaw	State MI
Authorizing CPA Signature 		License Number A 262757
Printed Name David R. Youngstrom, CPA		

**Charter Township Of Buena Vista –  
Downtown Development Authority  
Saginaw, Michigan  
Annual Financial Statements  
and  
Auditors' Report  
December 31, 2007**

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**Charter Township of Buena Vista - Downtown Development Authority**  
**List of Elected and Appointed Officials**  
**December 31, 2007**

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Authority Board

James Graham

Chairperson

David Van Ooteghem

Vice Chairperson

Judy Johnson

Secretary

Thomas Hoff

Dwayne Parker

Gregory Causley

Earl Pegeus

Lauri Coe

Jason Tunney

Other Officers and Officials

Martin V. Williams

Township Manager

Tracy L. Cormier

Director of Fiscal Services



3023 Davenport  
Saginaw, MI 48602  
Phone (989) 793-9830 / (800) 968-0010  
Fax (989) 793-0186

## Independent Auditors' Report

To the Authority Board  
Charter Township of Buena Vista - Downtown Development Authority  
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Charter Township of Buena Vista - Downtown Development Authority as of and for the year ended December 31, 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 opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Charter Township of Buena Vista - Downtown Development Authority as of December 31, 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.

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

The Authority has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

*Yeo & Yeo, P.C.*

Saginaw, Michigan  
May 16, 2008

**Charter Township of Buena Vista - Downtown Development Authority**  
**Statement of Net Assets**  
**December 31, 2007**

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**Assets**

Cash and cash equivalents	\$ 835,673
Taxes receivable	549,000
Due from other governments	164,628
Capital assets not being depreciated	<u>575,189</u>
 Total assets	 <u>2,124,490</u>

**Liabilities**

Accounts payable	125,856
Noncurrent liabilities	
Due within one year	11,040
Due in more than one year	<u>77,284</u>
 Total liabilities	 <u>214,180</u>

**Net assets**

Invested in capital assets, net of related debt	575,189
Unrestricted	<u>1,335,121</u>
 Total net assets	 <u>\$ 1,910,310</u>

See Accompanying Notes to Financial Statements

**Charter Township of Buena Vista - Downtown Development Authority**  
**Statement of Activities**  
**Year Ended December 31, 2007**

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	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary government</b>					
Governmental activities					
General government	\$ 198,075	\$ -	\$ -	\$ -	\$ (198,075)
General revenues					
Property taxes, captured for general purposes					528,354
Unrestricted investment earnings					44,071
Total general revenues					572,425
Change in net assets					374,350
Net assets - beginning of year					1,535,960
<b>Net assets - ending</b>					<b>\$ 1,910,310</b>

See Accompanying Notes to Financial Statements

**Charter Township of Buena Vista - Downtown Development Authority**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2007**

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	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 835,673
Taxes receivable	549,000
Due from other governmental units	<u>164,628</u>
<b>Total assets</b>	<u><u>\$ 1,549,301</u></u>
<b>Liabilities and fund balance</b>	
Liabilities	
Accounts payable	\$ 125,856
Deferred revenue	<u>549,000</u>
<b>Total liabilities</b>	<u>674,856</u>
Fund balance	
Unreserved	<u>874,445</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 1,549,301</u></u>

See Accompanying Notes to Financial Statements

**Charter Township of Buena Vista - Downtown Development Authority**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**December 31, 2007**

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<b>Total fund balances for governmental funds</b>	\$ 874,445
Total net assets reported for governmental activities in the statement of net assets is different because:	
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the fund statements	549,000
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	575,189
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances as of December 31, 2007 are as follows:	
Installment loans payable	<u>(88,324)</u>
<b>Net assets of governmental activities</b>	<u><u>\$ 1,910,310</u></u>

See Accompanying Notes to Financial Statements

**Charter Township of Buena Vista - Downtown Development Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended December 31, 2007**

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**Revenues**

Taxes	\$ 429,354
Interest	<u>44,071</u>
Total revenues	<u>473,425</u>

**Expenditures**

General government	<u>531,620</u>
Revenues in excess of expenditures	(58,195)
Fund balance - beginning of year	<u>932,640</u>
<b>Fund balance - end of year</b>	<b><u><u>\$ 874,445</u></u></b>

See Accompanying Notes to Financial Statements

**Charter Township of Buena Vista - Downtown Development Authority**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**Year Ended December 31, 2007**

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<b>Net change in fund balances - Total governmental funds</b>	\$(58,195)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	322,505
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	99,000
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	<u>11,040</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 374,350</u></u>

See Accompanying Notes to Financial Statements

**Charter Township of Buena Vista - Downtown Development Authority**  
**Notes to Financial Statements**  
**December 31, 2007**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Charter Township of Buena Vista - 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 Authority:

**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 Authority's activities. Governmental activities are normally supported by tax capture and inter-governmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (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 properly excluded from program revenue are reported as general revenue.

Separate financial statements are provided for the government wide financial statements and the fund financial statements.

**Reporting Entity**

The Charter Township of Buena Vista - Downtown Development Authority is a component unit of the Charter Township of Buena Vista.

**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. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

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 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Those revenues susceptible to accrual are property taxes, interest revenue, and charges for services.

The Authority reports the following major governmental fund:

- 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.

**Charter Township of Buena Vista - Downtown Development Authority**  
**Notes to Financial Statements**  
**December 31, 2007**

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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.

**Property Tax Revenue**

Property taxes are levied on each July 1 and December 1 on the taxable valuation of property. The Authority captures property taxes on the growth in taxable value of property within its boundaries. Taxes are considered delinquent on March 1 of the following year.

The Authority captures winter 2006 tax which is levied on December 1, 2006, and is recognized as revenue in the year ended December 31, 2007. The Authority also captures summer 2007 tax which is levied on July 1, 2007, and is recognized as revenue in the year ended December 31, 2007.

**Assets, Liabilities and Net Assets or Equity**

*Cash and cash equivalents* – The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with a maturity of 3 months or less when acquired. Additionally, each fund's equity in the Authority's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. Shared pooled investment income is allocated to each fund based on its percentage of the balance in the pool.

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

*Capital assets* – Capital assets, which include parcels of land, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Authority began recording governmental infrastructure constructed on or after January 1, 2004 as allowed by GASB 34.

*Construction in process* – Costs incurred in the construction of future capital assets which have not, as of the date of this report, been placed in service are reported in the government-wide financial statements as construction in process.

*Long-term obligations* - In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Comparative Data**

Comparative data is not included in the Authority's financial statements.

**Note 2 - Deposits**

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

	Cash and Cash <u>Equivalents</u>
Governmental activities	\$ <u>835,673</u>

**Charter Township of Buena Vista - Downtown Development Authority**  
**Notes to Financial Statements**  
**December 31, 2007**

*Interest rate risk* – In accordance with its investment policy, the Authority manages its exposure to declines in fair values by limiting the maturity of its investments within each investment category.

*Credit risk* – 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.

*Concentration of credit risk* – The Authority's investment policy establishes limits on the amount of investment in any one issuer within each investment category as well as within the investment portfolio as a whole.

*Custodial credit risk – deposits* – In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. The actual bank balances amounted to \$844,418. Of this amount, \$102,673 was insured by FDIC and \$741,745 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Note 3 - Receivables**

Receivables as of year end for the government's individual major fund including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>
Taxes	\$ 549,000
Intergovernmental	164,628
	<u>\$ 713,628</u>
Due within one year	<u>\$ 713,628</u>

The allowance for all receivables at year end is zero, because all is expected to be collected.

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. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>
Property taxes	<u>\$ 549,000</u>

**Note 4 - Capital Assets**

Capital assets activity of the Authority for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Government-type activities</b>				
Capital assets not being depreciated				
Land	\$ 33,287	\$ -	\$ -	\$ 33,287
Construction in progress	147,674	203,954	49,400	302,228
Total capital assets not being depreciated	180,961	203,954	49,400	335,515
Capital assets being depreciated				
Land improvements	-	167,951	-	167,951
Total capital assets being depreciated	-	167,951	-	167,951
Net capital assets being depreciated	-	167,951	-	167,951
Component unit capital assets, net	\$ 180,961	\$ 371,905	\$ 49,400	\$ 503,466

**Charter Township of Buena Vista - Downtown Development Authority**  
**Notes to Financial Statements**  
**December 31, 2007**

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**Note 5 - Long-Term Debt**

The Authority borrowed funds to increase economic development and is a general obligation of the government. In the prior year 50% of the original loan was forgiven, including all accrued and future interest.

Long-term obligation activity is summarized as follows:

	<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>Annual Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>								
Installment loan								
Michigan Strategic Fund	12/1/15	0.00%	\$11,040	<u>\$ 99,364</u>	<u>\$ -</u>	<u>\$ 11,040</u>	<u>\$ 88,324</u>	<u>\$ 11,040</u>

**Charter Township of Buena Vista - Downtown Development Authority**  
**Notes to Financial Statements**  
**December 31, 2007**

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**Installment Loans**

The Authority has obtained an installment loan to finance economic development and expansion. Annual debt service requirements to maturity are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>
2008	11,040
2009	11,041
2010	11,040
2011	11,040
2012	11,040
2013-2015	<u>33,123</u>
Total	<u>\$ 88,324</u>

guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2009.

**Note 6 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation).

**Note 7 - Township Bond Guarantee**

In the current year the Authority has pledged its future tax capture to guarantee the 2007 general obligation bonds of Buena Vista Charter Township. These financial statements should be read with this in mind.

**Note 8 - Upcoming Accounting And Reporting Change**

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides

**Charter Township of Buena Vista - Downtown Development Authority**  
**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Year Ended December 31, 2007**

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 481,000	\$ 481,000	\$ 429,354	\$ (51,646)
Interest income	25,000	25,000	44,071	19,071
Rental income	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total revenues	<u>516,000</u>	<u>516,000</u>	<u>473,425</u>	<u>(42,575)</u>
<b>Expenditures</b>				
Current				
Community and economic development	102,950	102,950	126,352	23,402
Capital outlay	352,500	352,500	394,228	41,728
Debt service				
Principal retirement	40,000	40,000	11,040	(28,960)
Interest and fiscal charges	<u>1,350</u>	<u>1,350</u>	<u>-</u>	<u>(1,350)</u>
Total expenditures	<u>496,800</u>	<u>496,800</u>	<u>531,620</u>	<u>34,820</u>
Excess (deficiency) of revenues over expenditures	19,200	19,200	(58,195)	(77,395)
Fund balance - beginning of year	<u>932,640</u>	<u>932,640</u>	<u>932,640</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u><u>\$ 951,840</u></u>	<u><u>\$ 951,840</u></u>	<u><u>\$ 874,445</u></u>	<u><u>\$ (77,395)</u></u>