

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 Mendon Downtown Development Authority	County St Joseph
Fiscal Year End March 31, 2007	Opinion Date June 27, 2007	Date Audit Report Submitted to State August 8, 2007	

We affirm that:

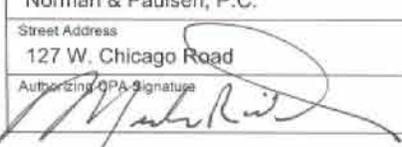
We are certified public accountants licensed to practice in Michigan.

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).

- | | | | | | |
|--|-----|----|---|--|---|
| <table border="0"> <tr> <td style="text-align: center;">YES</td> <td style="text-align: center;">NO</td> </tr> <tr> <td style="text-align: center;">X</td> <td style="text-align: center;"> </td> </tr> </table> | YES | NO | X | | <p>Check each applicable box below. (See instructions for further detail.)</p> <ol style="list-style-type: none"> 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. |
| YES | NO | | | | |
| X | | | | | |

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"/>	No Comments and Recommendations	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.	Telephone Number 269-651-3228		
Street Address 127 W. Chicago Road	City Sturgis	State MI	Zip 49091
Authorizing CPA Signature 	Printed Name Michael R. Wilson CPA	License Number 1101017570	

**MENDON DOWNTOWN DEVELOPMENT AUTHORITY
MENDON, MICHIGAN**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2007

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Authority Board
Mendon Downtown Development Authority

Norman & Paulsen, P.C.

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We have audited the accompanying financial statements of the governmental activities and the major fund of the Mendon Downtown Development Authority, Michigan, (a component unit of the Village of Mendon) as of and for the year ended March 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 Mendon Downtown Development Authority 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 Mendon Downtown Development Authority, as of March 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 management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Norman & Paulsen, P.C.

June 27, 2007

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Mendon Downtown Development Authority financial performance provides an overview of the Authority's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Authority's financial statements.

Financial Highlights

The Authority's overall financial position increased by \$273,844 during the fiscal year ended March 31, 2007, which represents 31 percent of the net asset position at the beginning of the year.

The Authority's Governmental Funds reflected a total fund balance at March 31, 2007 of \$547,830, which was a decrease of \$117,409 from the prior year end.

The total Governmental Fund expenditures for the year ended March 31, 2007, amounted to \$494,740, of which \$117,409 were funded from beginning fund balance.

Using This Annual Report

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. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	Governmental Funds	
	2007	2006
Assets	\$ 679,726	\$ 767,951
Liabilities	131,896	102,712
Fund Balance - Unreserved	\$ 547,830	\$ 665,239

The following table shows, in a condensed format, the net assets of the current date as required by GASB 34 stated under the full accrual basis.

	Governmental Activities	
	2007	2006
Current and other assets	\$ 679,726	\$ 767,951
Capital assets	873,482	580,964
Total assets	1,553,208	1,348,915
Current and other liabilities	65,056	27,382
Long-term debt outstanding	342,775	450,000
Total liabilities	407,831	477,382
Net assets		
Invested in capital assets, net of related debt	530,707	130,964
Unrestricted	614,670	740,569
Total net assets	\$ 1,145,377	\$ 871,533

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

	Governmental Funds	
	2007	2006
Revenue		
Taxes - Village captured	\$ 151,727	\$ 101,624
Taxes - Other governmental units captured	193,301	124,629
Federal grant - CDBG	-	-
Interest	18,529	13,057
Other	13,774	9,880
Loan proceeds	-	550,000
Total revenue	377,331	799,190
Program expenses		
Economic development	494,740	687,534
Excess (deficiency)	\$ (117,409)	\$ 111,656

The following table shows, in a condensed format, the changes in net assets as of the current date as required by GASB 34 stated under the full accrual basis of accounting.

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Operating grants	\$ -	\$ -
General revenues		
Captured property taxes	345,028	226,253
Unrestricted investment earnings	18,529	13,057
Miscellaneous	5,284	9,880
Total revenues	368,841	249,190
Expenses		
Economic development	94,997	61,258
Change in net assets	\$ 273,844	\$ 187,932

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's Funds

Our analysis of the Authority's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Authority as a whole. Major funds for the fiscal year ended March 31, 2007 include the General Fund. The General Fund pays for all of the Authority's economic development services and is funded primarily by captured property taxes.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Authority budgeted a decrease of \$263,067 in the original and final budgets. Actual operating results ended up as a decrease of \$117,409.

Capital Assets and Debt Administration

During the year ended March 31, 2007, the Authority purchased land improvements at the industrial park for \$208,835, expended funds for building improvements for \$84,942, and purchased equipment for \$19,113.

During the year ended March 31, 2007, the Authority paid down the principal by \$107,225 on the industrial park loan.

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 the Authority office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>Primary Government</u>	<u>Governmental Activities</u>
ASSETS		
Cash and investments	\$ 419,585	
Receivables - net	260,141	
Receivables, long-term portion	-	
Capital assets - net	<u>873,482</u>	
Total assets		1,553,208
LIABILITIES		
Accounts payable		65,056
Debt obligations:		
Due within one year		119,500
Due in more than one year		<u>223,275</u>
Total liabilities		<u>407,831</u>
NET ASSETS		
Invested in capital assets, net of related debt		530,707
Unrestricted		<u>614,670</u>
Total net assets		<u>\$ 1,145,377</u>

See accompanying notes to financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Primary government			
Governmental activities:			
Economic development	\$ <u>94,997</u>	\$ <u>-</u>	\$ (94,997)
General revenues:			
Captured property taxes			345,028
Unrestricted investment earnings			18,529
Miscellaneous			<u>5,284</u>
Total general revenues			<u>368,841</u>
CHANGE IN NET ASSETS			273,844
NET ASSETS - BEGINNING			<u>871,533</u>
NET ASSETS - ENDING			<u>\$ 1,145,377</u>

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 419,585
Due from other governmental units	193,301
Land contract receivable	<u>66,840</u>
Total assets	<u>\$ 679,726</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 65,056
Deferred revenue - land contract	<u>66,840</u>
Total liabilities	131,896
FUND BALANCE	
Unreserved, undesignated	<u>547,830</u>
Total liabilities and fund balance	<u>\$ 679,726</u>

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUNDS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2007

Total governmental fund balances \$ 547,830

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Governmental capital assets	\$ 905,984	
Less accumulated depreciation	<u>(32,502)</u>	873,482

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay current expenditures. Those assets are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Deferred land contract		66,840
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Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Note payable		<u>(342,775)</u>
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Net assets of governmental activities		<u>\$ 1,145,377</u>
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See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2007

	<u>General Fund</u>
REVENUES	
Taxes - Village captured	\$ 151,727
Taxes - Other governmental units captured	193,301
Interest	18,529
Other	<u>13,774</u>
Total revenues	377,331
EXPENDITURES	
Economic development	
Contracted services	1,080
Administrative fee	20,320
Professional services	1,150
Supplies	65
Promotions	3,167
Utilities	9,277
Repairs	719
Projects	312,890
Miscellaneous	24,258
Debt service - principal	107,225
Debt service - interest	<u>14,589</u>
Total expenditures	<u>494,740</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(117,409)
FUND BALANCE - BEGINNING	<u>665,239</u>
FUND BALANCE - ENDING	<u>\$ 547,830</u>

See accompanying notes to the financial statements

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Mendon Downtown Development Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the Authority are discussed below.

Reporting Entity

The Mendon Downtown Development Authority was established in January 1986, in accordance with Michigan Act 198, 1975. The Authority operates a Board-Chairperson form of government and its basic purpose is to reestablish and maintain the vitality of business in the Village of Mendon.

The accompanying financial statements pertain to the financial activities of the Mendon Downtown Development Authority. These activities have also been presented with the financial statements of the Village of Mendon, Michigan, as a component unit.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Authority as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Authority and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Authority.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Authority reports the following major funds:

General Fund - The general fund is the general operating fund of the Authority. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from captured property taxes from other governmental units. The following is a description of the major category and fund type within that category:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers captured property taxes, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end except for property taxes for which collection must be within two months of year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Authority:

General Fund - The general fund is the general operating fund of the Authority. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from captured property taxes from other governmental units.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Authority adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget. The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- * On or about March 31, the Authority Board submits to the Village of Mendon Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- * Public hearings are conducted to obtain taxpayer comments.
- * On or about April 1, the budget is legally enacted through passage of resolution.
- * The Authority Board is authorized to transfer budgeted amounts within departments.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- * The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles.
- * Appropriations for the general fund lapse at the end of the fiscal year.
- * Budgeted amounts are as originally adopted or as amended by the Authority Board.

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government or federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include 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.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due 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.

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	15-40
Buildings and improvements	15-50
Machinery and equipment	5-20
Furniture and other	3-7

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 2 - CASH AND INVESTMENTS

The Authority uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking and investment pool funds.

At March 31, 2007, the carrying amount of the Authority's deposits was \$419,585 and the bank balance was \$420,025. The differences between the balances are the result of checks issued by the Authority but not yet presented for payment. The risk exposure of all cash and cash equivalents at March 31, 2007, is as follows:

Insured	\$	3,022
Uninsured		<u>-</u>
Total cash and cash equivalents	\$	<u><u>3,022</u></u>

The Authority's remaining cash and cash equivalents at March 31, 2007, consists of an investment pool, the Government Cash Reserves Fund in the amount of \$417,003, which by definition, are not categorized by risk. The carrying values and market values are the same for these investments.

NOTE 3 - RECEIVABLES

Receivables in the governmental activities include \$193,301 due from Mendon Township for captured taxes and a land contract receivable collectible in monthly installments of \$652 including interest at 5.5% final installment due December, 2014, however an entire payoff was collected in May, 2007.

Accounts receivable in the governmental activities are reported net of an allowance for uncollectible accounts of -0-.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2007, was as follows:

	As Amended Balance April 1, 2006	<u>Additions</u>	<u>Disposals</u>	Balance March 31, 2007
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 36,265	\$ -	\$ -	\$ 36,265
Capital assets, being depreciated:				
Land improvements	532,236	208,835	-	741,071
Buildings and improvements	-	84,942	-	84,942
Machinery and equipment	<u>24,593</u>	<u>19,113</u>	<u>-</u>	<u>43,706</u>
Subtotal	556,829	312,890	-	869,719
Accumulated depreciation				
Land improvements	-	12,351	-	12,351
Buildings and improvements	-	2,831	-	2,831
Machinery and equipment	<u>12,130</u>	<u>5,190</u>	<u>-</u>	<u>17,320</u>
Subtotal	<u>12,130</u>	<u>20,372</u>	<u>-</u>	<u>32,502</u>
Net capital assets being depreciated	<u>544,699</u>			<u>837,217</u>
Net capital assets	<u>\$ 580,964</u>			<u>\$ 873,482</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Economic development	<u>\$ 20,372</u>

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 5 - LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended March 31, 2007:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance March 31, 2007</u>
Bank note payable	\$ 450,000	\$ -	\$ 107,225	\$ 342,775

Long-term debt payable at March 31, 2007, consisted of the following individual issues:

Note payable to bank at interest rate of 3.55%, monthly payment of principle and interest of \$10,949, final payment due December 15, 2010, secured by real estate.	<u>\$ 342,775</u>
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Debt Service Requirements

The annual requirements to service all debt outstanding as of March 31, 2007 including both principal and interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 119,500	\$ 11,888	\$ 131,388
2009	123,755	7,633	131,388
2010	<u>99,520</u>	<u>5,913</u>	<u>105,433</u>
Total	<u>\$ 342,775</u>	<u>\$ 25,434</u>	<u>\$ 368,209</u>

NOTE 6 - CAPTURED TAXES

Captured taxes represent the property taxes on the increment in taxable value of the downtown development district property since the adoption of the development plan. These taxes are earmarked for purposes consistent with the development plan.

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 7 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Authority management and adopted by the Authority Board; subsequent amendments are approved by the Authority Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Authority were adopted on a fund level basis.

During the year ended March 31, 2007, the Authority incurred no expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

MENDON DOWNTOWN DEVELOPMENT AUTHORITY

**REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED MARCH 31, 2007**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
REVENUES				
Taxes - Village captured	\$ 105,000	\$ 105,000	\$ 151,727	\$ 46,727
Taxes - other governmental units captured	135,000	135,000	193,301	58,301
Interest	6,000	6,000	18,529	12,529
Other	9,500	9,500	13,774	4,274
Total revenues	255,500	255,500	377,331	121,831
EXPENDITURES				
Economic development				
Contracted services	1,100	1,100	1,080	20
Administrative fee	35,000	35,000	20,320	14,680
Professional services	6,900	6,900	1,150	5,750
Supplies	750	750	65	685
Promotions	4,750	4,750	3,167	1,583
Utilities	7,500	7,500	9,277	(1,777)
Repairs	2,500	2,500	719	1,781
Projects	345,517	345,517	312,890	32,627
Miscellaneous	3,050	3,050	24,258	(21,208)
Debt service - principal	97,500	97,500	107,225	(9,725)
Debt service - interest	14,000	14,000	14,589	(589)
Total expenditures	518,567	518,567	494,740	23,827
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(263,067)	(263,067)	(117,409)	145,658
FUND BALANCE - BEGINNING				
	665,239	665,239	665,239	-
FUND BALANCE - ENDING				
	\$ 402,172	\$ 402,172	\$ 547,830	\$ 145,658