

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 Clam Lake Township DDA	County Wexford
Fiscal Year End 06/30/2007	Opinion Date 10/04/2007	Date Audit Report Submitted to State October 30, 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	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	
Other (Describe)	<input checked="" type="checkbox"/>	Letter of Significant Deficiencies
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.	Telephone Number (231) 775-9789	
Street Address 134 West Harris Street	City Cadillac	State MI
		Zip 49601
Authorizing CPA Signature 	Printed Name Steven C. Arends, C.P.A.	License Number 1101013211

CLAM LAKE TOWNSHIP
DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

JUNE 30, 2007

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601

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CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

JUNE 30, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	i
Management's Discussion and Analysis	ii-v
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
Notes to Financial Statements	7-14
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	15

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October 4, 2007

INDEPENDENT AUDITORS' REPORT

To the Board
Clam Lake Downtown Development Authority
Clam Lake Township
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Clam Lake Downtown Development Authority (A Component Unit of Clam Lake Township) 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 management of the Clam Lake Downtown Development Authority. 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 each major fund of the Clam Lake Downtown Development Authority as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages ii through v and 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clam Lake Downtown Development Authority's (A Component Unit of Clam Lake Township) basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP

Baird, Cotter & Bishop, P.C.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

The Clam Lake Township Downtown Development Authority located in Wexford County, Michigan, has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Clam Lake Township Downtown Development Authority board's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Overview of the Financial Statements

Clam Lake Township Downtown Development Authority's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

A. Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represented those presented by business and industry. The entire Authority's assets and liabilities, both short and long-term, are reported.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

B. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Clam Lake Township Downtown Development Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

C. Summary of Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets	\$222,492	\$255,152
Noncurrent Assets		
Capital Assets	<u>111,484</u>	<u>0</u>
Total Assets	<u>\$333,976</u>	<u>\$255,152</u>
Liabilities		
Current Liabilities	<u>\$ 13,962</u>	<u>\$ 0</u>
Net Assets		
Invested in Capital Assets	111,484	0
Unrestricted	<u>208,530</u>	<u>255,152</u>
Total Net Assets	<u>320,014</u>	<u>255,152</u>
Total Liabilities and Net Assets	<u>\$333,976</u>	<u>\$255,152</u>

D. Analysis of Financial Position

During the fiscal year ended June 30, 2007, the Authority's net assets increased by \$64,862.

E. Results of Operations

For the fiscal year ended June 30, the results of operations were:

	<u>2007</u>		<u>2006</u>	
	<u>AMOUNT</u>	<u>% OF TOTAL</u>	<u>AMOUNT</u>	<u>% OF TOTAL</u>
General Revenues				
Property Taxes	\$ 82,134	89.25%	\$ 77,700	89.76%
Investment Earnings	<u>9,896</u>	<u>10.75%</u>	<u>8,860</u>	<u>10.24%</u>
Total Revenues	<u>92,030</u>	<u>100.00%</u>	<u>86,560</u>	<u>100.00%</u>
Expenses	<u>27,168</u>	<u>100.00%</u>	<u>53,546</u>	<u>100.00%</u>
Change in Net Assets	<u>\$ 64,862</u>		<u>\$ 33,014</u>	

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

F. Analysis of Significant Revenues and Expenses

Significant revenues and expenses are discussed in the segments below:

1. Property Taxes

The Authority receives property taxes for operations.

For the year ended June 30, 2007, the Authority recognized \$82,134 of property tax revenue.

2. Fire Protection

The Authority pays for fire protection to the City of Cadillac its pro-rata share based on the captured taxable value of the district in relation to the total taxable value of the Township. For the year ended June 30, 2007, this amount was \$17,027.

G. General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Authority approve the original budget for the upcoming fiscal year prior to its starting on July 1. Any amendments made to the operating budget must be approved by the Authority prior to the close of the year on June 30.

For the year ended June 30, 2007, the Authority made an amendment to the budget in November 2006. The following schedule shows a comparison of the original general fund budget, the final amended general fund budget and actual totals from operations:

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
Total Revenues	\$ 77,000	\$ 77,000	\$ 92,030	\$ 15,030
Total Expenditures	231,900	231,900	138,652	(93,248)

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007

H. Capital Assets and Long-Term Debt

1. Capital Assets

The Authority's investment in capital assets as of June 30, 2007 amounted to \$111,484. A summary of capital asset categories is illustrated below:

Clam Lake Downtown Development Authority
Capital Assets as of June 30, 2007

Construction In Progress	<u>\$ 111,484</u>
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2. Long-Term Debt

At June 30, 2007, the Authority had no long-term debt.

I. Factors Bearing on the Authority's Future

At the time that these financial statements were prepared and audited, the Authority was aware of the following item that could significantly affect its financial health in the future:

A significant portion of the Authority's funding comes from property taxes. Any impairment to this funding source would greatly impact the future of the Authority.

J. Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report, please contact the Clam Lake Township DDA Treasurer at 8809 E M-115, Cadillac, Michigan 49601.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)

CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS

JUNE 30, 2007

ASSETS

CURRENT ASSETS

Cash

Commercial Account \$ 121,201

Certificates of Deposit 101,291

Total Current Assets 222,492

CAPITAL ASSETS

Construction In Progress 111,484

TOTAL ASSETS \$ 333,976

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable \$ 9,190

Due to Primary Government 4,772

Total Liabilities 13,962

NET ASSETS

Invested in Capital Assets 111,484

Unrestricted 208,530

TOTAL NET ASSETS 320,014

TOTAL LIABILITIES AND NET ASSETS \$ 333,976

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)

CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	GOVERNMENTAL ACTIVITIES NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
<u>GOVERNMENTAL ACTIVITIES</u>			
Public Safety	\$ 17,027	\$ 0	\$ (17,027)
Economic Development	10,141	0	(10,141)
Total Governmental Activities	<u>\$ 27,168</u>	<u>\$ 0</u>	<u>(27,168)</u>
<u>GENERAL REVENUES</u>			
Property Taxes			82,134
Interest Earnings			9,896
Total General Revenues			<u>92,030</u>
Change in Net Assets			64,862
<u>NET ASSETS</u> – Beginning of Year			<u>255,152</u>
<u>NET ASSETS</u> – End of Year			<u>\$ 320,014</u>

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)

CADILLAC, MICHIGAN

BALANCE SHEET

JUNE 30, 2007

ASSETS

Cash	
Commercial Account	\$ 121,201
Certificates of Deposit	<u>101,291</u>
 TOTAL ASSETS	 <u>\$ 222,492</u>

LIABILITIES AND FUND BALANCE

Liabilities

Accounts Payable	\$ 9,190
Due to Primary Government	<u>4,772</u>
 Total Liabilities	 13,962

Fund Balance

Unrestricted	<u>208,530</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 222,492</u>
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CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)

CADILLAC, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2007

Total Fund Balances for Governmental Funds \$ 208,530

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.

Construction In Progress 111,484

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 320,014

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

REVENUES

Taxes	
Current Property Tax Levy	\$ 82,134
Interest and Rents	
Interest	<u>9,896</u>
Total Receipts	<u>\$ 92,030</u>

EXPENDITURES

Public Safety	
Fire Protection	\$ 17,027
Economic Development	
Clerical/Facilitator	8,400
Supplies	41
Professional Services	985
Dues	108
Printing and Publishing	242
Other	365
Capital Outlay	<u>111,484</u>
Total Expenditures	<u>\$ 138,652</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (46,622)

FUND BALANCE - Beginning of the Year 255,152

FUND BALANCE - End of the Year \$ 208,530

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

Net change in Fund Balance - Total Governmental Funds	\$ (46,622)
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Capital Outlay	<u>111,484</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 64,862</u></u>

The accompanying notes are an integral part of the financial statements.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Clam Lake Downtown Development Authority was established through a Township Ordinance under Act No. 197 of the Public Acts of Michigan of 1975. The Township Board determined that it was necessary and in the best interest of the Township to halt property value deterioration and increase property tax valuation where possible in the DDA District, to eliminate the causes, and to promote economic growth.

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 activities of the Authority. 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 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. Other items not properly included among program revenues are reported instead as general revenues.

The Authority's net assets can be reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

The government-wide focus is more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Separate financial statements are provided for governmental funds. The Authority only has a governmental fund called the General Fund.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 provided have been met.

Modified Accrual Method

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 Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Property taxes and interest associated with the current fiscal period are all considered to susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major governmental fund:

General Fund is the primary operating fund of the Authority. It is used to account for all financial resources of the Authority.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

D. Assets, Liabilities, and Equity

1. Deposits and Investments

It is the policy of the Clam Lake Township DDA to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow needs of the Authority and comply with all state statutes governing the investment of public funds.

The Clam Lake Township DDA's Treasurer is limited to investments authorized by Act 20 of 1943, as amended, and may invest in the following:

Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Clam Lake Township DDA Board at the Board's organizational meeting after each regular election of officers.

2. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns 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 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Improvements	15-30
Public domain infrastructure	50
Machinery and Equipment	5-10

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Clam Lake Township Downtown Development Authority qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Authority will capitalize and depreciate infrastructure beginning July 1, 2003, in accordance with the Township's capitalization policy.

4. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

3. Use of Estimates

This presentation of financial statements in conformity with the modified accrual basis of accounting requires the DDA 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 receipts and disbursements during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Clam Lake Downtown Development Authority follows these procedures in establishing the budgetary data reflected in the accompanying financial statements:

1. Prior to July 1, the Chairman of the Budget Committee submits to the DDA Board a proposed operating budget for the fiscal year.
2. After review, the Board formally adopts the budget.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

3. The Budget Committee Chairman is charged with general supervision of the budget and monitors the budget.
4. During the year amendments are made to the budget when it is deemed necessary.
5. The budget is adopted on the modified accrual basis of accounting.
6. Budgeted amounts were originally adopted on June 29, 2006, and amended on November 20, 2006.
7. Budget appropriations lapse at the end of the fiscal year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Clam Lake Downtown Development Authority because it is, at present, not considered necessary to assure effective budgetary control or facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Authority's deposits and investments are all on deposit with banks within the State of Michigan.

Investment rate risk. The Authority will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investments and limiting the average maturity in accordance with the Authority's cash requirements.

Foreign currency risk. The Authority is not authorized to invest in investments, which have this type of risk.

Credit risk. The Authority will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Authority's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Authority will do business in accordance with the Authority's investment policy.

Concentration of credit risk. The Authority will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. As of June 30, 2007, \$122,492 of the government’s bank balance of \$222,492 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority’s investments are categorized to give an indication of the level of risk assumed by the Authority at year end. Category 1 includes investments that are insured or registered, or securities held by the Authority or the Authority’s agent in the Authority’s name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty’s trust department or its agent in the Authority’s name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Authority’s name. At year end, the Authority’s investments were uncategorized as to risk.

B. Capital Assets

Component Unit

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital assets, not being depreciated				
Construction in Progress	\$ 0	\$ 111,484	\$ 0	\$ 111,484
Governmental activities capital assets, net	\$ 0	\$ 111,484	\$ 0	\$ 111,484

The Authority has outstanding construction commitments of approximately \$17,975 to complete a street light project.

C. Interfund Receivables, Payables and Transfers

The Authority had no interfund balances at June 30, 2007.

There were no interfund transfers as of June 30, 2007.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-Term Debt

At June 30, 2007, the Authority was not obligated for any long-term debt.

IV. OTHER INFORMATION

A. Property Taxes

Each year, following the final equalization of property values in the District, the Township Assessor prepares the tax increment assessment roll. The tax increment assessment roll shows the initial assessed value of each parcel of property within the District and the amount by which the current assessed value as finally equalized for all taxable property in the District exceeds the initial assessed value of the property (the "captured assessed value"). Copies of the annual tax increment assessment roll are transmitted by the Assessor to the Township Treasurer, the County Treasurer, the Authority and the Treasurer of each of the taxing jurisdictions within the District, together with a notice that it has been prepared in accordance with this Ordinance and the Plan. The Township Treasurer and the County Treasurer, as ad valorem and specific taxes are collected on the property in the District, pay that proportion of the taxes, except for penalties and collection fees, that the captured assessed value bears to the initial assessed value to the Treasurer of the Authority for deposit in the Fund. The payments are made by the date or dates on which the Township Treasurer and the County Treasurer are required to remit taxes to each of the taxing jurisdictions

For the 2006 tax roll, the Authority's property tax revenue was computed as follows:

2006 Taxable Value of District		\$13,947,968
Base Year Taxable Value of District		<u>5,387,400</u>
Captured Value		<u><u>\$ 8,560,568</u></u>
Millage Captured		
County Allocated	6.7797	
Township	<u>2.8148</u>	<u>9.5945</u>
2006 Property Tax Levy		<u><u>\$ 82,134</u></u>

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

B. Interest Income and Expense

For the year ended June 30, 2007, interest income and interest expense is as follows for the Clam Lake Downtown Development Authority:

Interest Income	\$ 9,896
Interest Expense	\$ 0

C. Risk Management

The DDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The DDA, through Clam Lake Township, participates in a pool of municipalities within the State of Michigan for self-insuring casualty, crime, general liability, and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required.

The DDA also through Clam Lake Township carries insurance for other risks of loss, including workers' compensation insurance and fidelity bonds.

CLAM LAKE TOWNSHIP DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of Clam Lake Township)

CADILLAC, MICHIGAN

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2007

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL</u> <u>BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 75,000	\$ 75,000	\$ 82,134
Interest and Rents	2,000	2,000	9,896
Total Revenues	<u>77,000</u>	<u>77,000</u>	<u>92,030</u>
<u>EXPENDITURES</u>			
Public Safety			
Fire Protection	17,500	17,500	17,027
Economic Development			
Clerical/Facilitator	8,400	8,400	8,400
Planning	10,000	10,000	0
Supplies	500	500	41
Professional Services	3,900	3,985	985
Dues	0	0	108
Printing and Publishing	600	600	242
Other	1,000	1,000	365
Capital Outlay	180,000	180,000	111,484
Contingency	10,000	9,915	0
Total Expenditures	<u>231,900</u>	<u>231,900</u>	<u>138,652</u>
Excess (Deficiency) of Revenues Over Expenditures	(154,900)	(154,900)	(46,622)
<u>FUND BALANCE</u> - Beginning of the Year	<u>252,909</u>	<u>252,909</u>	<u>255,152</u>
<u>FUND BALANCE</u> - End of the Year	<u>\$ 98,009</u>	<u>\$ 98,009</u>	<u>\$ 208,530</u>