

Downriver Community Conference
(a local government consortium)

Financial Report
with Supplemental Information
September 30, 2009

Downriver Community Conference

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Downriver Community Conference (DCC) (a local government consortium) as of and for the year ended September 30, 2009, which collectively comprise Downriver Community Conference's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Downriver Community Conference's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, and each major fund of Downriver Community Conference as of September 30, 2009 and the respective changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedules, as identified in the table of contents, are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Board of Directors
Downriver Community Conference

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2010 on our consideration of Downriver Community Conference's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is written in a cursive, flowing style.

February 10, 2010

Downriver Community Conference

Management's Discussion and Analysis

Our discussion and analysis of Downriver Community Conference's (DCC) financial performance provides an overview of DCC's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with DCC's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represent the most significant financial highlights for the year ended September 30, 2009:

- The DCC partnered with the Conference of Western Wayne (CWW) to explore opportunities for resource sharing and joint purchasing to save communities money. Dental/Vision insurance, short/long-term disability, and life insurance premiums were bid out and awarded to the highest qualified vendors. Response by communities has been slow; however, DCC and CWW are confident that participation will increase as time goes by.
- The Downriver Community Conference is partnering with The Information Center and The Guidance Center to address transportation issues in the surrounding area.
- The Employment and Training Department continues to see a large influx of customers due to the economy. The DCC has renovated several rooms and computer labs to accommodate the increase in customers.
- Through The Senior Alliance (TSA), the DCC received over \$70,957 to provide transportation services to senior citizens. The DCC will continue to work with The Senior Alliance to provide these services during the 2009-10 fiscal year.
- The Weatherization Department received \$600,000 to assist low income residents with heating bills. Assistance for heating bills ranged from \$50 to \$900. DCC will receive \$900,000 for the 2009-2010 fiscal year for Low Income Energy Assistance. The Weatherization Department received an ARRA Weatherization grant for \$4.8 million to weatherize low income homes over the next three years.
- The Downriver Area Brownfield Consortium (DABC), through the DCC, received a second EPA Revolving Loan to provide loans for cleanup activities at sites contaminated with hazardous substances. This will be an ongoing project for the downriver region over the next several years. In addition, three other EPA grants were awarded - an Assessment grant, a Petroleum grant, and an ARRA Brownfield grant that will cover the area for the next two to three years. Lastly, the DCC received the contract from Wayne County to run the SBA 504 Loan Program. This program assists small companies with purchasing a building and/or equipment. The proceeds from the loan support the staff and expenses.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of DCC as a whole and present a longer-term view of DCC'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 member communities and granting agencies have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the members' assessments and grant monies were spent during the year, as well as how much is available for future spending. Fund financial statements also report DCC's operations in more detail than the government-wide financial statements.

DCC as a Whole

The following table shows, in a condensed format, the net assets (deficit) as of September 30, 2009 and 2008:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 3,017,261	\$ 2,350,243	\$ (205,156)	\$ (205,217)	\$ 2,812,105	\$ 2,145,026
Noncurrent assets	<u>1,364,539</u>	<u>1,483,350</u>	<u>-</u>	<u>-</u>	<u>1,364,539</u>	<u>1,483,350</u>
Total assets	4,381,800	3,833,593	(205,156)	(205,217)	4,176,644	3,628,376
Liabilities						
Current liabilities	1,220,766	1,538,513	-	-	1,220,766	1,538,513
Long-term liabilities	<u>1,120,016</u>	<u>1,318,061</u>	<u>-</u>	<u>-</u>	<u>1,120,016</u>	<u>1,318,061</u>
Total liabilities	<u>2,340,782</u>	<u>2,856,574</u>	<u>-</u>	<u>-</u>	<u>2,340,782</u>	<u>2,856,574</u>
Net Assets (Deficit)						
Invested in capital assets - Net of related debt	46,479	(20,281)	-	-	46,479	(20,281)
Restricted	1,669,226	643,117	-	-	1,669,226	643,117
Unrestricted (deficit)	<u>325,313</u>	<u>354,183</u>	<u>(205,156)</u>	<u>(205,217)</u>	<u>120,157</u>	<u>148,966</u>
Total net assets (deficit)	<u>\$ 2,041,018</u>	<u>\$ 977,019</u>	<u>\$ (205,156)</u>	<u>\$ (205,217)</u>	<u>\$ 1,835,862</u>	<u>\$ 771,802</u>

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's combined net assets for both governmental and business-type activities totaled \$1,835,862 for fiscal year 2009. Net assets are further segregated between restricted and unrestricted net assets. The restricted net assets, assets that are restricted for a specific purpose/use and invested in capital assets, total approximately \$46,000. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, total approximately \$1,789,000.

The following table shows the changes in net assets during the current year:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue:						
Charges for services	\$ 231,199	\$ 97,775	\$ 447,965	\$ 470,537	\$ 679,164	\$ 568,312
Operating grants and contributions	10,935,458	8,896,873	-	-	10,935,458	8,896,873
General revenue - Unrestricted investment earnings and other	-	-	2,719	5,176	2,719	5,176
Total revenue	11,166,657	8,994,648	450,684	475,713	11,617,341	9,470,361
Program Expenses						
General government	515,337	495,920	-	-	515,337	495,920
Employment and training	6,370,959	5,121,225	-	-	6,370,959	5,121,225
Economic development	1,516,923	1,126,674	-	-	1,516,923	1,126,674
Weatherization	1,307,170	1,087,658	-	-	1,307,170	1,087,658
Transportation	392,269	522,448	-	-	392,269	522,448
Buildings and equipment	-	-	450,623	494,845	450,623	494,845
Total program expenses	10,102,658	8,353,925	450,623	494,845	10,553,281	8,848,770
Change in Net Assets	\$ 1,063,999	\$ 640,723	\$ 61	\$ (19,132)	\$ 1,064,060	\$ 621,591

Governmental Activities

Governmental activities are those activities (such as employment and training or economic development programs) provided to the constituents of the downriver area. The programs are supported by federal, state, and local grants along with membership assessments paid by the local downriver communities.

The cost of providing services for governmental activities was \$10.1 million for the fiscal year ended September 30, 2009. Since the majority of the programs provided by DCC are financed through grants, revenue recorded was within 10 percent of expenditures.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

Business-type Activities

DCC's business-type activities consist of renting vacant space within its building to third parties. Rental and maintenance fees are charged to the third parties.

DCC's Funds

Our analysis of DCC's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DCC as a whole. The DCC board creates funds to help manage money for specific purposes as well as to show accountability for certain activities. DCC's major funds for 2008 include the General Fund, Employment and Training Fund, Economic Development Fund, Weatherization Fund, and the Transportation Fund.

The General Fund pays for most of DCC's governmental services. The most significant are payroll and contracted services, which incurred expenses of approximately \$294,000 in 2009 and \$288,000 in 2008.

General Fund Budgetary Highlights

Over the course of the year, DCC amended the budget to take into account events during the year. DCC departments overall were above budget, resulting in total expenditures in the General Fund to be approximately \$68,000 above budget, while total revenue in the General Fund was approximately \$88,000 above budget. The General Fund's fund balance decreased from approximately \$155,000 a year ago to approximately \$153,000 at September 30, 2009.

Capital Assets and Debt Administration

At the end of 2009, DCC had \$1.4 million invested in a broad range of capital assets, including buildings, furniture, and equipment. These assets are necessary to carry out the day-to-day operations of DCC.

Contacting DCC's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DCC's finances and to show DCC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the accounting office.

Downriver Community Conference

Statement of Net Assets (Deficit) September 30, 2009

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents (Note 3)	\$ 527,704	\$ -	\$ 527,704
Internal balances	205,156	(205,156)	-
Due from other governmental units	2,278,921	-	2,278,921
Prepaid expenses and other assets	5,480	-	5,480
Capital assets not being depreciated (Note 4)	388,000	-	388,000
Capital assets being depreciated - Net (Note 4)	976,539	-	976,539
Total assets	4,381,800	(205,156)	4,176,644
Liabilities			
Accrued liabilities	708,702	-	708,702
Security deposits	30,064	-	30,064
Deferred revenue (Note 5)	283,956	-	283,956
Noncurrent liabilities:			
Due within one year (Note 7)	198,044	-	198,044
Due within more than one year (Note 7)	1,120,016	-	1,120,016
Total liabilities	2,340,782	-	2,340,782
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	46,479	-	46,479
Restricted for grant expenditures	1,669,226	-	1,669,226
Unrestricted	325,313	(205,156)	120,157
Total net assets (deficit)	<u>\$ 2,041,018</u>	<u>\$ (205,156)</u>	<u>\$ 1,835,862</u>

Downriver Community Conference

	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Functions/Programs			
Primary government:			
Governmental activities:			
General	\$ 515,337	\$ 176,611	\$ 382,129
Employment and training	6,370,959	-	6,402,853
Economic development	1,516,923	18,270	2,478,507
Weatherization	1,307,170	-	1,315,183
Transportation	392,269	36,318	356,786
Total governmental activities	10,102,658	231,199	10,935,458
Business-type activities - Building and equipment	450,623	447,965	-
Total primary government	<u>\$ 10,553,281</u>	<u>\$ 679,164</u>	<u>\$ 10,935,458</u>

General revenues - Unrestricted investment earnings

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

Statement of Activities
Year Ended September 30, 2009

Net (Expense) Revenue and Changes in		
Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ 43,403	\$ -	\$ 43,403
31,894	-	31,894
979,854	-	979,854
8,013	-	8,013
835	-	835
1,063,999	-	1,063,999
-	(2,658)	(2,658)
1,063,999	(2,658)	1,061,341
-	2,719	2,719
1,063,999	61	1,064,060
977,019	(205,217)	771,802
<u>\$ 2,041,018</u>	<u>\$ (205,156)</u>	<u>\$ 1,835,862</u>

Downriver Community Conference

Governmental Funds Balance Sheet September 30, 2009

	Major Funds					Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weatheri- zation Fund	Transpor- tation Fund	
Assets						
Cash and cash equivalents (Note 3)	\$ 291,436	\$ -	\$ -	\$ 269,765	\$ 5,103	\$ 566,304
Due from other governmental units	73,499	203,536	1,952,084	35,033	1,291	2,265,443
Prepaid expenses and other assets	-	5,480	-	-	-	5,480
Total assets	\$ 364,935	\$ 209,016	\$ 1,952,084	\$ 304,798	\$ 6,394	\$ 2,837,227
Liabilities and Fund Balances (Deficit)						
Liabilities						
Bank overdraft	\$ -	\$ 14,261	\$ 74,743	\$ -	\$ -	\$ 89,004
Accrued liabilities	182,535	196,181	206,394	52,245	6,394	643,749
Deferred revenue (Note 5)	29,498	737	1,884,199	252,553	95	2,167,082
Total liabilities	212,033	211,179	2,165,336	304,798	6,489	2,899,835
Fund Balances (Deficit) - Unreserved and undesignated, reported in						
General Fund	152,902	-	-	-	-	152,902
Special Revenue Funds	-	(2,163)	(213,252)	-	(95)	(215,510)
Total fund balances (deficit)	152,902	(2,163)	(213,252)	-	(95)	(62,608)
Total liabilities and fund balances (deficit)	\$ 364,935	\$ 209,016	\$ 1,952,084	\$ 304,798	\$ 6,394	\$ 2,837,227
Fund Balance (Deficit) - Total Governmental Funds						\$ (62,608)
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 are not reported in the funds						220,500
Grant receivables not received within 60 days of year end are not available to pay for current year expenditures						1,883,126
Net Assets - Governmental Activities						\$ 2,041,018

Downriver Community Conference

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended September 30, 2009

	Major Funds					Total Governmental Funds
	General Fund	Employment and Training Fund	Economic Development Fund	Weather- ization Fund	Transpor- tation Fund	
Revenue						
Federal grants	\$ -	\$ 5,994,143	\$ 1,282,007	\$ 517,823	\$ 404,688	\$ 8,198,661
State and local grants	289,723	411,891	85,418	797,360	13,021	1,597,413
Membership assessments	92,625	-	-	-	-	92,625
Charges for services	14,040	-	18,270	-	36,318	68,628
Contributions	1,540	-	525	-	-	2,065
Other	162,571	-	-	-	-	162,571
Total revenue	560,499	6,406,034	1,386,220	1,315,183	454,027	10,121,963
Expenditures						
Wages	18,580	3,455,316	178,302	203,675	212,499	4,068,372
Fringe benefits	5,912	973,958	34,297	45,269	66,958	1,126,394
Contracted services	269,798	512,571	1,167,657	224,889	2,000	2,176,915
Building rent and maintenance	71,473	770,371	22,741	67,862	54,503	986,950
Professional fees	61,968	127,308	50,024	32,766	7,599	279,665
Capital outlay	6,235	53,948	20	13,127	1,439	74,769
Other	80,423	512,562	62,842	727,595	46,741	1,430,163
Total expenditures	514,389	6,406,034	1,515,883	1,315,183	391,739	10,143,228
Excess of Revenue Over (Under) Expenditures	46,110	-	(129,663)	-	62,288	(21,265)
Other Financing Sources (Uses)						
Transfers in (Note 6)	-	3,182	45,215	-	212	48,609
Transfers out (Note 6)	(48,609)	-	-	-	-	(48,609)
Total other financing (uses) sources	(48,609)	3,182	45,215	-	212	-
Net Change in Fund Balances	(2,499)	3,182	(84,448)	-	62,500	(21,265)
Fund Balances (Deficit) -						
Beginning of year	155,401	(5,345)	(128,804)	-	(62,595)	(41,343)
Fund Balances (Deficit) - End of year	\$ 152,902	\$ (2,163)	\$ (213,252)	\$ -	\$ (95)	\$ (62,608)

Downriver Community Conference

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended September 30, 2009

Net Change in Fund Balances - Total Governmental Funds (Deficit)	\$ (21,265)
Amounts reported for governmental activities in the statement of 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	40,690
Loss on disposal of capital assets is not reported in the governmental funds	(120)
Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	<u>1,044,694</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,063,999</u></u>

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Net Deficit September 30, 2009

Assets

Current assets:

Cash and cash equivalents (Note 3)	\$ 50,404
Due from other governmental units	13,478

Total current assets 63,882

Noncurrent assets:

Capital assets not being depreciated (Note 4)	388,000
Capital assets being depreciated - Net (Note 4)	756,039

Total noncurrent assets 1,144,039

Total assets 1,207,921

Liabilities

Current:

Accrued and other liabilities	64,953
Security deposits	30,064
Current portion of note payable (Note 7)	198,044

Total current liabilities 293,061

Note payable - Net of current portion 1,120,016

Total liabilities 1,413,077

Net Deficit

Invested in capital assets - Net of related debt	(174,021)
Unrestricted	(31,135)

Total net deficit \$ (205,156)

Internal Service Fund net deficit allocable to business-type activities \$ (205,156)

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Revenue, Expenses, and Changes in Net Deficit Year Ended September 30, 2009

Operating Revenue	
Rent	\$ 1,079,078
Other	<u>14,921</u>
Total operating revenue	1,093,999
Operating Expenses	
Wages	242,469
Fringe benefits	86,456
Professional fees	62,451
Maintenance and repairs	209,246
Depreciation	186,181
Other	<u>215,424</u>
Total operating expenses	<u>1,002,227</u>
Operating Income	91,772
Nonoperating Revenue (Expense)	
Investment income	2,719
Interest expense	<u>(94,430)</u>
Total nonoperating expense	<u>(91,711)</u>
Change in Net Deficit	61
Net Deficit - Beginning of year	<u>(205,217)</u>
Net Deficit - End of year	<u><u>\$ (205,156)</u></u>

Downriver Community Conference

Internal Service Fund - Building and Equipment Fund Statement of Cash Flows Year Ended September 30, 2009

Cash Flows from Operating Activities	
Receipts from customers	\$ 1,122,379
Payments to suppliers	(491,467)
Payments to employees	<u>(328,925)</u>
Net cash provided by operating activities	301,987
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(26,800)
Principal and interest paid on capital debt	<u>(280,001)</u>
Net cash used in capital and related financing activities	(306,801)
Cash Flows from Investing Activities - Interest income received	<u>2,719</u>
Net Decrease in Cash and Cash Equivalents	(2,095)
Cash and Cash Equivalents - Beginning of year	<u>52,499</u>
Cash and Cash Equivalents - End of year	<u>\$ 50,404</u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 91,772
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	186,181
Changes in assets and liabilities:	
Due from other governmental units	33,781
Accrued and other liabilities	<u>(9,747)</u>
Net cash provided by operating activities	<u>\$ 301,987</u>

There was no noncash activity for the year ended September 30, 2009.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note I - Summary of Significant Accounting Policies

The accounting policies of Downriver Community Conference (DCC) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Reporting Entity

DCC is organized as an interlocal public agency formed under Public Act 7 of 1967 and is comprised of 20 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments charged to member communities and grants through various state and federal agencies. Revenue is used to fund benefits and programs for the member communities as well as for additional areas assigned by grantors. DCC's financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

DCC has excluded Downriver Mutual Aid from this report since DCC does not exercise substantial oversight responsibility. Downriver Mutual Aid's financial statements will be issued under separate cover.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the activities of DCC. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by member assessments and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on rental fees for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest income and other items not properly included among program revenues are reported instead as general revenue.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note I - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, DCC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

DCC reports the following major governmental funds:

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

Employment and Training Special Revenue Fund - The Employment and Training Special Revenue Fund accounts for the revenue and expenditures of federal and state employment and training grant programs. These programs include Work First and JET programs, Workforce Investment Act programs, Employment Service programs, and other smaller miscellaneous training grants.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note I - Summary of Significant Accounting Policies (Continued)

Economic Development Special Revenue Fund - The Economic Development Special Revenue Fund accounts for the revenue and expenditures of federal and state economic development grant programs. These programs include Department of Defense programs and specific economic development programs associated with local downriver companies. In addition, the Economic Development Fund accounts for the activities of the Downriver Area Brownfield Consortium.

Weatherization Special Revenue Fund - The Weatherization Special Revenue Fund accounts for the revenue and expenditures of federal and state grant programs. These programs include Department of Energy, Low Income Housing Energy Assistance Programs, Weatherization Assistance programs, and client education programs.

Transportation Special Revenue Fund - The Transportation Special Revenue Fund accounts for the revenue and expenditures of federal, state, and local grant programs. These programs include the Job Access Reverse Commute program, The Senior Alliance, Dearborn Heights and Lincoln Park transportation services, ACCESS, SMART specialized services, and homeless coalition services.

Additionally, DCC reports the following fund type:

Internal Service Fund - Building and Equipment Fund - The Building and Equipment Internal Service Fund accounts for building and equipment purchases and maintenance that get charged to both DCC grant programs as well as outside tenants.

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, DCC's policy is to first apply restricted resources.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to rental revenue and maintenance fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments 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. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

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

Capital Assets - Capital assets, which include buildings, improvements, and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by DCC as assets with an initial individual cost of more than \$5,000 for the Building and Equipment Fund, \$500 for the governmental funds, and \$200 for items purchased with grant funds from the Southeast Michigan Community Alliance and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings and equipment, including vehicles, are depreciated using the straight-line method over the following useful lives:

Buildings and building improvements	5-20 years
Furniture and equipment	3-5 years

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets (deficit).

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Federal Income Taxes - DCC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

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.

Upcoming Accounting Pronouncements - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned. DCC is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 2 - Stewardship, Compliance, and Accountability

Fund Deficits - DCC has accumulated fund deficits in the following individual funds: Employment and Training Fund of \$2,163, Economic Development Fund of \$213,252, and Transportation Fund of \$95. Each of these deficits is mainly a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5.

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. DCC is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

DCC has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above.

Downriver Community Conference's deposits and investment policies are in accordance with statutory authority.

Downriver Community Conference's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, Downriver Community Conference's deposits may not be returned to it. Downriver Community Conference does not have a deposit policy for custodial credit risk. At year end, DCC had \$17,951 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. DCC believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, DCC evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DCC's investment policy does not further limit its investment choices. As of year end, Downriver Community Conference had no investments subject to credit risk.

Downriver Community Conference

Notes to Financial Statements September 30, 2009

Note 4 - Capital Assets

Capital asset activity of DCC's governmental activities was as follows:

	Balance October 1, 2008	Additions	Disposals and Adjustments	Balance September 30, 2009
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 388,000	\$ -	\$ -	\$ 388,000
Capital assets being depreciated:				
Buildings and improvements	3,504,761	26,800	-	3,531,561
Furniture and equipment	733,068	106,594	(13,281)	826,381
Subtotal	4,237,829	133,394	(13,281)	4,357,942
Accumulated depreciation:				
Buildings and improvements	2,589,341	186,181	-	2,775,522
Furniture and equipment	553,138	65,904	(13,161)	605,881
Subtotal	3,142,479	252,085	(13,161)	3,381,403
Net capital assets being depreciated	1,095,350	(118,691)	(120)	976,539
Net capital assets	<u>\$ 1,483,350</u>	<u>\$ (118,691)</u>	<u>\$ (120)</u>	<u>\$ 1,364,539</u>

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

Governmental activities:	
General government	\$ 7,765
Employment and training	47,249
Transportation	1,705
Economic development	2,175
Weatherization	7,010
Internal Service Fund depreciation - Charged to the various functions based on their usage of the asset	<u>186,181</u>
Total governmental activities	<u>\$ 252,085</u>

Downriver Community Conference

Notes to Financial Statements September 30, 2009

Note 5 - Deferred Revenue

Deferred revenue at September 30, 2009 is as follows:

	Advances on Grants	Revenue Not Available to Finance Current Expenditures	Total
Major funds:			
General Fund	\$ 28,945	\$ 553	\$ 29,498
Employment and Training Fund	737	-	737
Economic Development Fund	1,721	1,882,478	1,884,199
Weatherization Fund	252,553	-	252,553
Transportation Fund	-	95	95
Total	<u>\$ 283,956</u>	<u>\$ 1,883,126</u>	<u>\$ 2,167,082</u>

Advances on Grants - DCC receives funds from federal and state governments under various acts to enable DCC to conduct special programs. Funds received and unexpended as of September 30, 2009 are accounted for as deferred revenue. When expenditures are incurred, revenue is recognized and deferred revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Revenue Not Available to Finance Current Expenditures - GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements that were not received within 60 days of year end. Receipt of these reimbursements will alleviate a significant portion of the fund deficits.

Downriver Community Conference

Notes to Financial Statements September 30, 2009

Note 6 - Interfund Transfers

The interfund transfers reported in the fund financial statements are comprised of the following for operating purposes:

Fund Providing Resources	Fund Receiving Resources	Amount
General Fund	Employment and Training Fund	\$ 3,182
General Fund	Economic Development Fund	45,215
General Fund	Transportation Fund	212
	Total	<u>\$ 48,609</u>

The General Fund transferred funds to the Economic Development Fund to reduce the Economic Development Fund deficit.

Note 7 - Long-term Debt

Effective May 2, 2003, DCC entered into a promissory note with a bank for \$2,300,000. The balance of this note was payable May 2, 2008 and was refinanced by management on this date. The balance of \$1,562,343 was refinanced, has a stated interest rate of 6.58 percent, and is collateralized by the building and assignment of leases. The balance of the note at September 30, 2009 is \$1,318,060.

	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities						
Building note:						
Amount of issue: \$1,562,343						
Maturing through 2013	6.58%	\$ 1,503,631	\$ -	\$ (185,570)	\$ 1,318,060	\$ 198,044

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

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 198,044	\$ 81,956	\$ 280,000
2011	211,685	68,315	280,000
2012	225,695	54,305	280,000
2013	682,636	26,770	709,406
Total	<u>\$ 1,318,060</u>	<u>\$ 231,346</u>	<u>\$ 1,549,406</u>

Downriver Community Conference

**Notes to Financial Statements
September 30, 2009**

Note 8 - Risk Management

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). DCC has purchased commercial insurance for these claims. DCC is also exposed to various risks of loss related to medical benefits provided to employees. DCC is partially self-insured for these claims. DCC is responsible for the first \$1,000 per occurrence for claims filed. The self-insured claims expense for the year ended September 30, 2009 was approximately \$38,213. DCC management estimates that there are no significant unpaid medical claims at year end. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

DCC is highly dependent on federal and state grants. Any significant loss of grant funding could negatively impact DCC's ongoing operations as the grants are needed to cover significant administrative costs.

Note 9 - Related Party Transactions

DCC performs administrative and accounting services for Downriver Mutual Aid, a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2009, there were immaterial transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid.

Note 10 - Employee Benefits

Per board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2009, employees' contributions and employer's contributions were approximately \$194,000 and \$96,000, respectively.

Required Supplemental Information

Downriver Community Conference

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget - Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 112,415	\$ 138,391	\$ 155,401	\$ 17,010
Resources (Inflows)				
State and local grants	271,475	292,300	289,723	(2,577)
Membership assessments	92,625	92,625	92,625	-
Charges for services	20,700	18,100	14,040	(4,060)
Contributions	3,250	3,250	1,540	(1,710)
Other	59,115	66,115	162,571	96,456
Total resources (inflows)	447,165	472,390	560,499	88,109
Expenditures (Outflows)				
Wages	18,098	21,723	18,580	3,143
Fringe benefits	4,650	4,475	5,912	(1,437)
Contracted services	253,352	278,352	269,798	8,554
Building rent and maintenance	29,575	39,250	71,473	(32,223)
Professional fees	13,750	16,150	61,968	(45,818)
Capital outlay	10,000	4,700	6,235	(1,535)
Other	73,475	79,475	80,423	(948)
Transfers to other funds	42,000	50,988	48,609	2,379
Total expenditures (outflows)	444,900	495,113	562,998	(67,885)
Fund Balance - End of year	\$ 114,680	\$ 115,668	\$ 152,902	\$ 37,234

Downriver Community Conference

Note to Required Supplemental Information September 30, 2009

Note - Budgetary Information

The annual budget is prepared by DCC's management and adopted by the board of directors at a functional level. Subsequent amendments are approved by the board of directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2009 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America other than transfers in/out budgeted as revenue/expenditures rather than other financing sources (uses).

The budgetary comparison schedule for the General Fund is presented on the same basis of accounting used in preparing the adopted budget. The Employment and Training, Economic Development, Weatherization, and Transportation Funds have been budgeted; however, those budgets are prepared on a program-year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the required supplemental information.

Excess of Expenditures Over Appropriations in the Budgeted Funds - The General Fund had expenditures greater than amounts budgeted in building rent and maintenance expense because DCC had an unexpected power surge/electrical fire that it received an insurance claim for. These expenses were not budgeted for as the claim was unexpected. The same is true for the professional fees. There is a corresponding increase in revenue in the other category as a result of this claim.