Grand Rapids Downtown Development Authority

AUDIT WRAP-UP

For the Year Ended June 30, 2015

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., City Commission and Fiscal Committee) and, if appropriate, management of the Authority and is not intended and should not be used by anyone other than these specified parties.

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November 23, 2015

Members of the Grand Rapids Downtown Development Authority
Grand Rapids, Michigan

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. The following documents various matters with respect to the wrap-up phase of the audit of the annual financial statements for the Grand Rapids Downtown Development Authority (the Authority) as of and for the year ended June 30, 2015, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Authority’s accounting practices and policies, management’s judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Authority and will be happy to answer any questions you might have.

Respectfully,

BDO USA, LLP
# Discussion Outline

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Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2015. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.

- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.

- We have issued an unmodified opinion on the financial statements dated November 11, 2015.

- Our responsibility for other information in documents containing the Authority's audited financial statements (e.g., Management’s Discussion and Analysis) does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we have read the information included by the Authority and considered whether such information, or the manner of its presentation, was materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.

- All records and information requested by BDO were freely available for our inspection.

- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Authority personnel throughout the course of our work.
Results of Our Audit

ACCOUNTING PRACTICES AND POLICIES

The Authority's significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 2 to the financial statements.

- There were no changes in significant accounting policies and practices during the year.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected misstatements related to accounts and/or disclosures that we brought to the attention of management.

There were no uncorrected misstatements related to accounts and/or disclosures that we presented to management.
Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Authority's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

<table>
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<th>Category</th>
<th>Definition</th>
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<tr>
<td>Deficiency in Internal Control</td>
<td>A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.</td>
</tr>
<tr>
<td>Significant Deficiency</td>
<td>A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.</td>
</tr>
<tr>
<td>Material Weakness</td>
<td>A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.</td>
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In conjunction with our audit of the financial statements, we noted no material weaknesses.
# Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Authority:

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<th>Requirement</th>
<th>Discussion Points</th>
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<tr>
<td>Significant changes to planned audit strategy or significant risks initially identified</td>
<td>There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.</td>
</tr>
<tr>
<td>Obtain information from those charged with governance relevant to the audit</td>
<td>There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Authority's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.</td>
</tr>
<tr>
<td>Consultations with other accountants</td>
<td>We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.</td>
</tr>
<tr>
<td>Disagreements with management</td>
<td>There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Authority's financial statements or to our auditor's report.</td>
</tr>
<tr>
<td>Significant difficulties encountered during the audit</td>
<td>There were no significant difficulties encountered during the audit.</td>
</tr>
<tr>
<td>Other matters significant to the oversight of the Authority's financial reporting process, including complaints or concerns regarding accounting or auditing matters</td>
<td>There are no other matters that we consider significant to the oversight of the Authority's financial reporting process that have not been previously communicated.</td>
</tr>
<tr>
<td>Representations requested from management</td>
<td>Please refer to the management representation letter that is available from management.</td>
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</table>
Independence Communication

Our engagement letter to you dated July 27, 2015 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Authority with respect to independence as agreed to by the Authority. Please refer to that letter for further information.
Significant Accounting and Reporting Matters

GASB STATEMENT NO. 72, FAIR VALUE MEASUREMENT AND APPLICATION

• This statement addresses accounting and financial reporting issues related to fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
• Additional disclosures are required to be made about fair value measurements, the level of fair value hierarchy and valuation techniques.
• This pronouncement will be effective for the District for the year ending June 30, 2017.

GASB STATEMENT NOS. 74 AND 75, OTHER POSTEMPLOYMENT BENEFITS (OPEB)

• GASB approved two statements related to OPEB that will require OPEB to be reported the same as pensions will be reported. The Authority will be required to report its share of the net OPEB liability in the full accrual statements.
• The expected effective date will be for the year ending June 30, 2018.

UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS

• The Office of Management and Budget (OMB) recently issued Uniform Guidance for all entities that receive federal awards and will require the Authority to implement policy changes.
• The “Super Circular” combines OMB Circulars (A-87, A-102, A-133, etc.) into one document.
• Provides new guidance on Protected Personally Identifiable Information.
• Focus on internal controls that should be in compliance with the Green Book and COSO.
• Changes to procurement standards, now five methods of procurement, including new “micro purchase” guidance.
• Changes to indirect cost rates, including a 10% de minimis rate.
• The Authority will be required to identify a Single Audit Accountable Official responsible for overseeing the single audit.
• The new requirements are effective for any awards made on or after December 26, 2014.
• Single audit threshold is increasing to $750,000, and there are other changes to audit requirements that will be effective for the year ending June 30, 2016.

We recommend you review the Uniform Guidance to determine what changes you will need to make to policies and procedures. BDO has a resource page with links to the original document along with other useful information. The link is http://nonprofitblog.bdo.com/index.php/resources/supercircular-resources/.
Get to Know BDO

BDO delivers customized assurance, tax, financial advisory, and consulting services to clients of all sizes - across industries, throughout the country, and around the globe. We offer numerous industry-specific practices, world-class resources, and an unparalleled commitment to meeting the unique needs of every client, large or small. We serve more than 400 publicly traded domestic and international companies, among the thousands of companies we serve worldwide.

BDO's culture and values establish a set of standards embodied by our work, our relationships and our professionals. We are guided by our core values: put people first; be exceptional: every day, every way; embrace change; empower through knowledge; and choose accountability.

For more than 100 years, we have provided quality service and leadership through the active involvement of our most experienced and committed professionals.
Get to Know BDO

The firm serves clients through 63 offices and more than 450 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,328+ offices in over 150 countries.

Spanning more than 152 countries worldwide, BDO is the fifth-largest global network of public accounting firms. Our seamless global approach allows us to serve clients through a central point of contact, granting access to relevant experience across borders - where and when our clients need us.

BDO's strength is derived from our structure as a cohesive global network and dedication to internal integration. In each country, BDO Member Firms are composed of people who are knowledgeable about national laws and business customs, and familiar with local and international business methods. As our clients expand globally, our access to our international network can help them do business with a depth of experience in international matters, significant resources and international client service capabilities.
Get to Know BDO

BDO commits significant resources to keep our professionals and our clients up to date on current and evolving technical, governance, industry, and reporting developments. Our thought leadership consists of quarterly email updates, publications, surveys, practice aids, and tools that span a broad spectrum of topics that impact financial reporting, as well as corporate governance. Our focus is not simply to announce changes in technical guidance, regulations or emerging business trends, but rather expound on how such changes may impact our clients’ businesses. Through our various webinar offerings, we reach a broad audience and provide brief, engaging, just-in-time training that we make available in a variety of ways to meet the needs of your busy schedule. The following provides a sample of our offerings, all of which are readily available on our refreshed website at: http://www.bdo.com.

To begin receiving email notifications regarding BDO publications and event invitations (live and web-based), please visit https://www.bdo.com/member/registration and create a user profile. If you already have an account on BDO’s website, visit the My Profile page to login and manage your account preferences: https://www.bdo.com/member/my-profile.

BDO KNOWLEDGE WEBINAR SERIES

An educational series designed to assist those charged with governance (e.g., Audit Committees) and financial executives in keeping up to date on the latest corporate governance, risk management and financial reporting developments. The program is multi-faceted and consists of complimentary CPE webinars, podcasts and archived self-study courses, covering both broad and specific topics of interest, publications and links to various BDO and external resources.

Additionally, consider our monthly tax series that provides insights and perspectives on the tax issues most important to our clients and their businesses. Visit our Event/Webinar page for a current listing of programming available.

BOARD REFLECTIONS

The BDO Board Reflections resources include BDO’s proprietary studies, publications, practice aids, and educational programs to keep board members of both public and private companies up to date on emerging issues and trends to assist in fulfilling their corporate oversight responsibilities. Such resources contain customized information for the various committees of the board. For example, refer to our Effective Audit Committees in the Ever Changing Marketplace practical guide and related tools. Visit our Insights page on http://www.bdo.com/.

SIGNIFICANT ACCOUNTING AND REPORTING MATTERS

A quarterly digest of final and proposed financial accounting standards designed to help audit committees, boards and financial executives keep up to date on the latest corporate governance and financial reporting developments.

CLIENT ADVISORIES

Concise documents that provide timely commentary, analysis and insights on events and trends of interest to management and boards of directors.
Get to Know BDO

TAX NEWSLETTERS AND ALERTS

Updates with respect to federal, state, local, expatriate, and international developments, along with other specific tax planning and strategy considerations including specific practice areas such as compensation and benefits, private client and individual filer services, transfer pricing, Foreign Account Tax Compliance Act, etc.

TECHNICAL RESEARCH TOOLS

BDO uses Accounting Research Manager™ (ARM) as a primary source of insightful interpretations on GAAP, GAAS and Securities and Exchange Commission rules. ARM is updated daily and is considered to be one of the timeliest and most comprehensive online databases of analytical interpretations of accounting, auditing and SEC matters. Access to ARM, and a number of other research tools, provides each professional the technical research capability to respond immediately to client-specific technical issues.

BDO KNOWS FLASH REPORTS

Briefs about select technical and regulatory developments and emerging issues are made immediately available to BDO professionals and to clients.

BDO KNOWS FINANCIAL REPORTING LETTERS

Publications containing more in-depth discussions and practical guidance on technical guidance affecting both public and private entities.

INDUSTRY NEWSLETTERS, ALERTS, REPORTS, PROPRIETARY STUDIES AND SURVEYS

A variety of publications depicting specific industry issues, emerging trends and developments.

INDUSTRY EXPERIENCE

Industry experience has emerged at the top of the list of what businesses need and expect from their accountants and advisors. The power of industry experience is perspective - perspective we bring to help you best leverage your own capabilities and resources.

BDO’s industry focus is part of who we are and how we serve our clients, and has been for over a century. We demonstrate our experience through knowledgeable professionals, relevant client work and participation in the industries we serve.

For further information on the following BDO industries, please visit https://www.bdo.com/industries.

- Asset Management
- Consumer Business
- Financial Services
- Gaming, Hospitality & Leisure
- Government Contracting
- Healthcare
- Insurance
- Manufacturing & Distribution
- Natural Resources
- Nonprofit & Education
- Private Equity
- Public Sector
- Real Estate & Construction
- Restaurants
- Technology & Life Sciences