

Manistee Downtown Development Authority

BASIC FINANCIAL STATEMENTS

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Manistee Downtown Development Authority
Manistee, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and major fund of the Manistee Downtown Development Authority (a component unit of the City of Manistee, Michigan), as of and for the year ended June 30, 2021, and related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Manistee Downtown Development Authority

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 major fund of the Manistee Downtown Development Authority, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 6 and page 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2021 on our consideration of the Manistee Downtown Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 an opinion on the effectiveness of the Manistee Downtown Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Manistee Downtown Development Authority's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

October 22, 2021

Management's Discussion and Analysis

As management of the Manistee Downtown Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole, which can be found in this report.

Financial Highlights

The assets of the Authority exceeded its liabilities at the close of this fiscal year by \$377,061 (shown as *Net Position*), representing an increase of \$31,521 over the previous fiscal year. Of this amount, \$377,061 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the Authority received \$302,284 in revenues and incurred \$270,763 in expenses, resulting in an increase in net position of \$31,521.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$265,312 or 98% of the General Fund's total expenditures.

Overview of the Financial Statements

The Manistee Downtown Development Authority's financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to financial statements, and 4) required supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's financial position. They are presented using a method of accounting that is similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets and liabilities, the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (for example, earned but unused vacation leave, prepaid items, etc.).

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. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Manistee Downtown Development Authority uses fund accounting to ensure compliance with finance-related legal requirements. The Authority tracks all of its activities in one governmental fund (the General Fund).

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments and certain other items are treated differently than on the government-wide financial statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt.

Because the focus of the general fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the general fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the general fund balance sheet and the general fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the general fund and the government-wide statements.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to a full understanding of the information provided in both the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, the report further presents required supplementary information (RSI) that explains the information presented in the financial statements.

Government-wide Financial Analysis

The following tables reflect a comparative analysis of government-wide data.

Statement of Net Position

	Governmental Activities	
	2021	2020
Assets		
Current Assets	\$ 391,293	\$ 351,748
Noncurrent Assets	6,897	6,897
Total Assets	\$ 398,190	\$ 358,645
Liabilities		
Current Liabilities	\$ 21,129	\$ 13,105
Net Position		
Unrestricted	377,061	345,540
Total Net Position	\$ 377,061	\$ 345,540

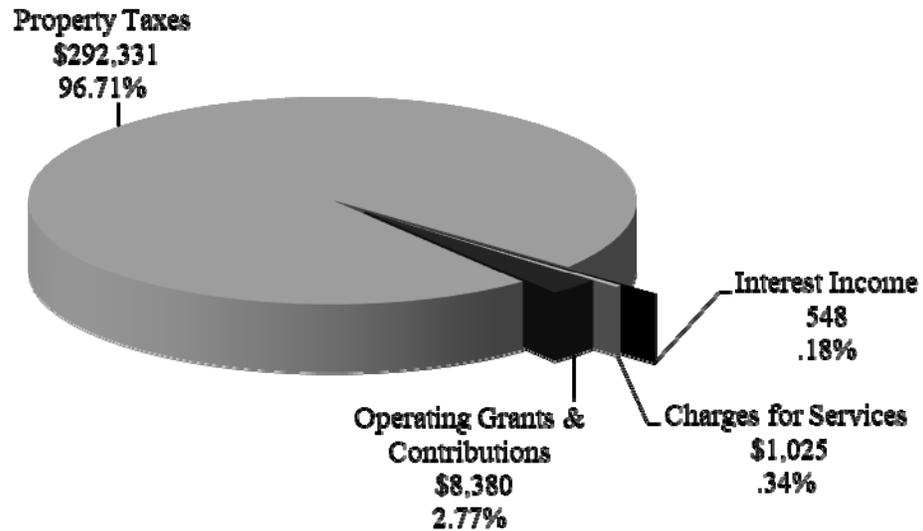
Statement of Changes in Net Position

	Governmental Activities	
	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 1,025	\$ 59,946
General Revenues and Special Items		
Property Taxes	292,331	311,067
State Sources	8,380	(84,160)
Interest Income	548	825
Total Revenues	302,284	287,678
Expenses		
Downtown Development	270,763	220,188
Transfers to Local Government	-	137,700
Total Expenses	270,763	357,888
Changes in Net Position	31,521	(70,210)
Net Position - Beginning	345,540	415,750
Net Position - Ending	\$ 377,061	\$ 345,540

Governmental Activities

The following chart summarizes the revenue sources for the governmental activities of the Authority for the most recent fiscal year end:

Governmental Activities Revenues



Financial analysis of the Government’s Funds

Governmental Activities. At the completion of the Authority’s fiscal year, its governmental funds (the General Fund) reported a fund balance of \$370,164. Of this amount \$265,312 or 72% is unassigned. This was an increase of \$10,548 in unassigned fund balance from the previous year.

General Fund Budgetary Highlights

When the budget was drafted, the revenue was estimated on a conservative basis with the expenditures estimated on a liberal basis. Difference between the original and final amended budgets and between final amended budgets and actual expenditures were relatively minor for the year.

Economic Factors and Next Year’s Budget and Rates

The following factors were considered in preparing the Authority’s budget for the 2021/2022 fiscal year:

- The Authority continues to take on additional responsibility for the maintenance and physical care of Manistee’s downtown district. Fiscal year 2020/2021 was the eleventh year that the Authority was completely responsible for the Riverwalk landscaping and maintenance.

Contacting the Authority’s Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Authority’s finances and to show the Authority’s accountability for the money it receives. If you have questions about this report or need additional information, please direct your requests to:

Manistee Downtown Development Authority
Director – Manistee Downtown Development Authority
400 River Street
Manistee, Michigan 49660

Basic Financial Statements

Manistee Downtown Development Authority

Statement of Net Position June 30, 2021

	<u>Primary Government Governmental Activities</u>
ASSETS:	
Cash and Equivalents - Unrestricted	\$ 391,293
Notes Receivable	6,897
Total Assets	<u>\$ 398,190</u>
LIABILITIES:	
Accounts Payable	\$ 19,314
Accrued Liabilities	1,815
Total Liabilities	<u>21,129</u>
NET POSITION:	
Unrestricted	<u>377,061</u>
Total Net Position	<u>\$ 377,061</u>

Manistee Downtown Development Authority

**Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government
Primary Government		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Downtown Development	\$ 270,763	\$ 1,025	\$ 8,380	\$ (261,358)
Total General Government	\$ 270,763	\$ 1,025	\$ 8,380	(261,358)
General Revenues and Special Items				
Property Taxes				292,331
Interest Income				548
Total General Revenues				292,879
				31,521
				345,540
				\$ 377,061

Manistee Downtown Development Authority

Balance Sheet
Governmental Fund
June 30, 2021

	<u>General</u>
Assets:	
Cash and Equivalents - Unrestricted	\$ 391,293
Total Assets	<u>\$ 391,293</u>
Liabilities:	
Accounts Payable	\$ 19,314
Accrued Liabilities	<u>1,815</u>
Total Liabilities	<u>21,129</u>
Fund Balance:	
Committed	104,852
Unassigned	<u>265,312</u>
Total Fund Balances	<u>370,164</u>
Total Liabilities and Fund Balances	<u>\$ 391,293</u>

Manistee Downtown Development Authority

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position June 30, 2021

Total fund balances – governmental fund \$ 370,164

Amounts reported for governmental activities in the statement of net position is different because:

The note receivables that will not be collected within 60 days of the end of the fiscal year are unavailable for the government statements, and accordingly, are not included in the funds.

Notes Receivable 6,897

Net Position of General Government \$ 377,061

Manistee Downtown Development Authority

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2021

	<u>General</u>
REVENUES:	
Property Taxes	\$ 292,331
Event Revenues	1,000
State Source	8,380
Other	25
Interest Income	548
	<hr/>
TOTAL REVENUES	302,284
	<hr/>
EXPENDITURES:	
Community and Economic Development:	
Office Expenses	7,357
Personnel and Consulting	77,500
Design Committee	162,814
Economic Restructuring	12,500
Professional Fees	7,445
Marketing and Promotions	3,147
	<hr/>
TOTAL EXPENDITURES	270,763
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NET CHANGE IN FUND BALANCE	31,521
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FUND BALANCE BEGINNING OF YEAR	338,643
	<hr/>
FUND BALANCE END OF YEAR	\$ 370,164
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Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**A – Financial Reporting Entity:**

The Manistee Downtown Development Authority (the “Authority”) is a component unit of the City of Manistee, Michigan. The purpose of the Authority is to act as the Development Authority for the City, in accordance with Public Act 57 of 2018 as amended, including, but not limited to: to correct and prevent deterioration in the Downtown Development District, to encourage historic preservation, to create and implement development plans, and to promote economic growth.

The Authority is governed by a nine-member board consisting of the City Manger of the City of Manistee and at least five (5) persons having an interest in property located in the downtown district. At least one of the board members shall be a resident of the downtown district if it has one hundred or more persons residing within it.

B – Government-Wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by property tax revenues, are reported separately from business-type activities which rely to a significant extend on fees and charges for support. The Authority has no business-type funds or component units.

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. Taxes and other items not properly included among program revenues are reported instead as general revenue.

C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:

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

Amounts reported as program revenue consist of charges to downtown merchants for promotional costs.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority reports the following major governmental fund:

General Fund – The general fund is the Authority’s primary operating fund. It accounts for all financial resources for the Authority.

D - Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance:

Cash and Equivalents – Cash and equivalents are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Deposits are recorded at cost.

Accounts and Notes Receivable – Credit has been extended to certain customers and other units of government. Accounts receivable are presented net of allowance for doubtful accounts. Notes receivable are recorded in the government-wide statements and are formal extensions of credit granted by the Authority for downtown economic and cultural development purposes. The current portion of notes receivable reflects collection on notes expected to occur within one year of the financial statement date. The balance of notes receivable will be collected outside of one year.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

Deferred Inflows of Resources – In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

Property Tax Revenue

Property taxes are levied on each December 1st and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The Manistee Downtown Development Authority’s 2020 tax is levied and collectable on July 1, 2020 and is recognized as revenue in the year ended June 30, 2021 when the proceeds of the levy are budgeted and available for the financing operations.

The 2020 taxable valuation of the City approximated \$9,946,458 (a portion of which is abated and a portion of which is capture by the TIFA), on which taxes levied consisted of 27.1668 mills. These captures, in conjunction with captures for which the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$292,331 of property tax revenue for the TIFA in the current year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Authority is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Authority has classified no items as being Nonspendable.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Authority. These amounts cannot be used for any other purpose unless the Authority removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the Authority's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Authority through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Authority would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State Law for the General Fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Authority to have its budget in place by July 1st. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits authorities to amend their budget during the year. During the year, the budget was amended in a legally permissible manner.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year.

Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

NOTE 3 - CASH AND EQUIVALENTS

State statutes and the Authority’s investment policy authorize the Authority to make deposits in the accounts of federally insured banks, credit unions, and saving and loan associations that have an office in Michigan; the Authority is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers’ acceptances, mutual funds, and investment pools that are composed of authorized investment vehicles. The Authority’s deposits are in accordance with statutory authority.

At year end, the Authority’s cash and equivalents were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>
Cash and Equivalents:	
- Unrestricted	\$ <u>391,293</u>
Total	\$ <u><u>391,293</u></u>

The breakdowns for deposits are as follows:

Petty Cash	\$ 1,000
Bank deposits (checking and savings accounts, certificates of deposit)	<u>390,293</u>
Total	\$ <u><u>391,293</u></u>

Investment and Deposit Risk

Interest rate risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Authority’s investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The Authority’s investment policy does not have specific limits in excess of state law on investment credit risk. The Authority has no investments for which ratings are required.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority does not have a policy for deposit custodial credit risk. As of year-end, \$57,879 of the Authority's bank balance of \$354,914 was exposed to credit risk because it was uninsured and uncollateralized.

Fair value measurement. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the measurements required judgement and considers factors specific to each asset or liability.

Statutory Authority:

Public Act 152, entitled "An act relative to the investment of funds of public corporations of the state; and to validate certain investments," by amending section 1 (MCL 129.91), as amended by 2009 PA 21.

Except as provided in section 5, the governing body by resolution may authorize its investment officer to invest the funds of that public corporation in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2); certificates of deposit obtained through a financial institution as provided in subsection (5); or deposit accounts of a financial institution as provided in subsection (6).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

NOTE 4 - RISK MANAGEMENT

The Manistee Downtown Development Authority is insured under policies held by the City of Manistee.

Required Supplementary Information

**Required Supplementary Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 256,370	\$ 256,370	\$ 292,331	\$ 35,961
Event Revenues	66,550	66,550	1,000	(65,550)
State Source	-	-	8,380	8,380
Other Revenues	-	-	25	25
Interest Income	-	-	548	548
TOTAL REVENUES	<u>322,920</u>	<u>322,920</u>	<u>302,284</u>	<u>(20,636)</u>
EXPENDITURES:				
Community and Economic Development:				
Office Expenses	8,245	8,245	7,357	888
Personnel and Consulting	117,744	117,744	77,500	40,244
Design Committee	172,500	241,323	162,814	78,509
Economic Restructuring	12,500	12,500	12,500	-
Professional Fees	10,158	10,158	7,445	2,713
Marketing and Promotions	54,200	54,200	3,147	51,053
TOTAL EXPENDITURES	<u>375,347</u>	<u>444,170</u>	<u>270,763</u>	<u>173,407</u>
NET CHANGE IN FUND BALANCE	<u>\$ (52,427)</u>	<u>\$ (121,250)</u>	31,521	<u>\$ 152,771</u>
FUND BALANCE BEGINNING OF YEAR			<u>338,643</u>	
FUND BALANCE END OF YEAR			<u>\$ 370,164</u>	

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Manistee Downtown Development Authority
Manistee, Michigan

We have audited, in accordance with the 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, the financial statements of the governmental activities and major fund of the Manistee Downtown Development Authority, Michigan, (a component unit of the City of Manistee, Michigan), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Manistee Downtown Development Authority, Michigan's basic financial statements and have issued our report thereon dated October 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Manistee Downtown Development Authority, Michigan's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Manistee Downtown Development Authority, Michigan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Manistee Downtown Development Authority, Michigan's internal control.

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. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

To the Authority Board
Manistee Downtown Development Authority

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Manistee Downtown Development Authority, Michigan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

October 22, 2021



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

KENNETH A. TALSMA, CPA, PRINCIPAL
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MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
Manistee Downtown Development Authority
Manistee, Michigan

We have audited the financial statements of the governmental activities and major fund of the Manistee Downtown Development Authority for the year ended June 30, 2021, and have issued our report thereon dated, October 22, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information about our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated August 10, 2021, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis and budgetary comparison schedules, which supplement(s) the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on August 10, 2021.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Manistee Downtown Development Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be \$0. We evaluated the key factors and assumptions used to develop the allowance for uncollectible accounts in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 22, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Comments and Recommendations

We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

Upcoming Accounting Standards

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Authority in the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Authority. For the complete text of these and other GASB standards, visit www.gasb.org. If you have questions regarding the applicability, timing, or implementation, please contact us.

Single Approach for Reporting Leases

Effective years beginning after 12/15/2021 (your FY 2023)

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payments to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

Other Matters

We applied certain limited procedures to the management's discussion and analysis and budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Conclusion

This information is intended solely for the use of the Authority Board, federal awarding agencies, pass through entities, and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

October 22, 2021