

**Manistee Downtown Development Authority**

---

**BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS .....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position .....	8
Statement of Activities .....	9
Balance Sheet – Governmental Fund .....	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position .....	11
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Fund .....	12
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>13</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Major Fund: Budgetary Comparison Schedule – General Fund.....	20
<b>REPORTS ON COMPLIANCE:</b>	
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 <i>Government Auditing Standards</i> .....	21



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

MEMBER AICPA  
DIVISION FOR CPA FIRMS

MEMBER MICPA

OFFICES IN MICHIGAN

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities and major fund of the Manistee Downtown Development Authority, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Manistee Downtown Development Authority's basic financial statements as listed in the table of contents.

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, 2023, 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.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Manistee Downtown Development Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Manistee Downtown Development Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedure that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Manistee Downtown Development Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Downtown Development Authority's ability to continue as a going concern for a reasonable time period.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules on pages 4 through 7 and page 20 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Board of Directors  
Manistee Downtown Development Authority

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023 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 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**

September 28, 2023

## **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, 2023. 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 \$ 632,379 (shown as *Net Position*), representing an increase of \$83,905 over the previous fiscal year. Of this amount, \$602,216 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the Authority received \$411,125 in revenues and incurred \$327,220 in expenses, resulting in an increase in net position of \$83,905.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$511,430 or 159% 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	
	2023	2022
<b>Assets</b>		
Current Assets	\$ 601,987	\$ 536,308
Noncurrent Assets	331,789	5,492
<b>Total Assets</b>	<b>\$ 933,776</b>	<b>\$ 541,800</b>
<b>Liabilities</b>		
Current Liabilities	13,776	1,116
Noncurrent Liabilities	287,621	-
<b>Total Liabilities</b>	301,397	1,116
<b>Net Position</b>		
Net Investment in Capital Asset	30,163	-
Unrestricted	602,216	540,684
<b>Total Net Position</b>	<b>\$ 632,379</b>	<b>\$ 540,684</b>

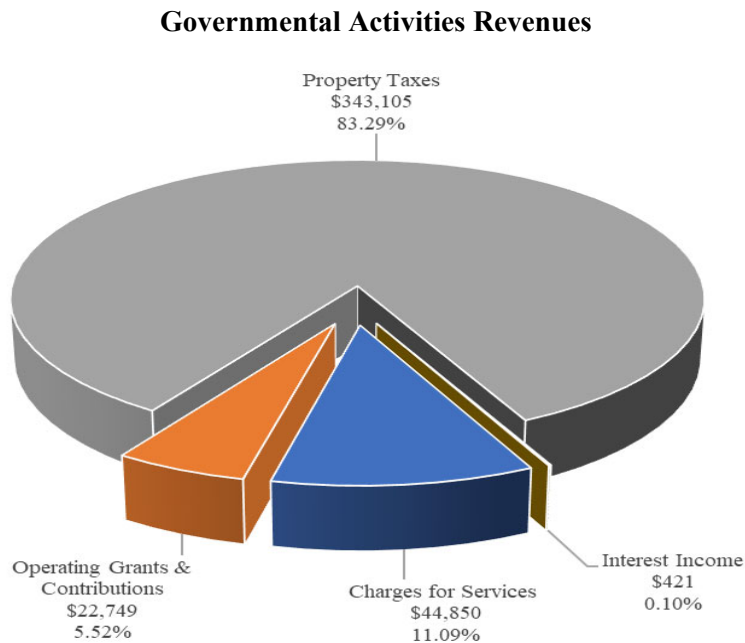


**Statement of Changes in Net Position**

	Governmental Activities	
	2023	2022
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 44,850	\$ 80,422
Operating Grants and Contributions	22,749	10,500
<b>General Revenues and Special Items</b>		
Property Taxes	343,105	327,019
Interest Income	421	363
<b>Total Revenues</b>	<b>411,125</b>	<b>418,304</b>
<b>Expenses</b>		
Downtown Development	327,220	254,681
<b>Total Expenses</b>	<b>327,220</b>	<b>254,681</b>
<b>Changes in Net Position</b>	<b>83,905</b>	<b>163,623</b>
Net Position - Beginning Restated (See Note 6)	548,474	377,061
<b>Net Position - Ending</b>	<b>\$ 632,379</b>	<b>\$ 540,684</b>

**Governmental Activities**

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



**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 \$616,515. Of this amount \$511,430 or 83% is unassigned. This was an increase of \$87,953 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. Differences between the original and final amended budgets and between final amended budgets and actual expenditures were relatively minor for the year.

**Right to Use Asset**

The authority’s net investment in capital assets as of June 30, 2023, amounted to \$327,755. This investment in capital assets includes a right to use assets including parking and office spaces.

**Economic Factors and Next Year’s Budget and Rates**

The following factors were considered in preparing the Authority’s budget for the 2023/2024 fiscal year:

- The Authority continues to take on additional responsibility for the maintenance and physical care of Manistee’s downtown district. Fiscal year 2022/2023 was the twelfth 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, 2023

	Primary Government <hr/> Governmental Activities <hr/>
<b>ASSETS:</b>	
Cash and Equivalents - Unrestricted	\$ 601,987
Notes Receivable	4,034
Lease Right of Use Asset	<hr/> 327,755
Total Assets	<hr/> <b>\$ 933,776</b> <hr/>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 3,805
Lease Liability-Due within one year	9,971
Lease Liability-Due in more than one year	<hr/> 287,621
Total Liabilities	<hr/> 301,397 <hr/>
<b>NET POSITION:</b>	
Net Investment in Capital Asset	30,163
Unrestricted	<hr/> 602,216
Total Net Position	<hr/> <b>\$ 632,379</b> <hr/>

# Manistee Downtown Development Authority

## Statement of Activities For the Year Ended June 30, 2023

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
<b>Governmental Activities:</b>				
Downtown Development	\$ 327,220	\$ 44,850	\$ 22,749	\$ (259,621)
Total General Government	\$ 327,220	\$ 44,850	\$ 22,749	(259,621)
<b>General Revenues and Special Items</b>				
Property Taxes				343,105
Interest Income				421
Total General Revenues				343,526
<b>Change in Net Position</b>				83,905
Net Position - Beginning Restated (Note 6)				548,474
Net Position - Ending				\$ 632,379

# Manistee Downtown Development Authority

## Balance Sheet Governmental Fund June 30, 2023

	<u>General</u>
<b>Assets:</b>	
Cash and Equivalents - Unrestricted	\$ 601,987
Prepaid Expense	18,333
Total Assets	<u>\$ 620,320</u>
<b>Liabilities:</b>	
Accounts Payable	<u>\$ 3,805</u>
Total Liabilities	<u>3,805</u>
<b>Fund Balance:</b>	
Committed	105,085
Unassigned	511,430
Total Fund Balances	<u>616,515</u>
Total Liabilities and Fund Balances	<u>620,320</u>
<b>Reconciliation to amounts reported for governmental activities in the statement of net position:</b>	
Notes receivable recognized under full accrual accounting	4,034
Right to use Asset	327,755
Lease Prepaid	(18,333)
Lease liability	(297,592)
<b>Net position of governmental activities</b>	<u>\$ 632,379</u>

# Manistee Downtown Development Authority

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2023

	<u>General</u>
<b>REVENUES:</b>	
Property Taxes	\$ 343,105
Event Revenues	43,636
State Sources	22,749
Other Income	2,671
Interest Income	421
	<hr/>
TOTAL REVENUES	412,582
	<hr/>
<b>EXPENDITURES:</b>	
Community and Economic Development:	
Office Expenses	4,416
Personnel and Consulting	92,500
Design Committee	156,591
Economic Restructuring	28,064
Lease Expense	29,167
Professional Fees	8,921
Marketing and Promotions	1,600
	<hr/>
TOTAL EXPENDITURES	321,259
	<hr/>
NET CHANGE IN FUND BALANCE	91,323
	<hr/>
FUND BALANCE BEGINNING OF YEAR	525,192
	<hr/>
FUND BALANCE END OF YEAR	<u>\$ 616,515</u>

## Manistee Downtown Development Authority

---

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities June 30, 2023

Net Change in fund balances – governmental fund	\$	91,323
The change in net reported for governmental Activities are different because:		
Notes receivable are long-term in nature and are collectible over several years. However, only the current receipts are reflected as revenues in the funds.		
		(1,457)
Governmental funds report lease activity as expenditures. However, in the statement of activities, the cost of those right to use assets is allocated over their estimated useful lives as amortization expense. This is the amount by which amortization expense \$15,607 exceeds principal payment \$9,646 in the current year.		
		<u>(5,961)</u>
Net Position of General Government	\$	<u>83,905</u>



## **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 Manager 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 people 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 extent 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.

Right to Use Asset- Intangible right-to-use assets are amortized over the shorter lease term or the useful life of the underlying asset.

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.

Lease Liability -The lease liability is measured at the present value of the payments expected to be made during the lease term and subsequent extensions if they are reasonably certain to be exercised. The lease liability is subsequently reduced by the principal portion of the lease payments.

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any prepayments made at or before the commencement of the lease, less any lease incentives received from the lessor. Lease assets are amortized using the straight-line method over the shorter of the useful life of the underlying asset or the lease term unless the lease contains an option to purchase the underlying asset at the end of the term. The useful life will be used to amortize the lease if a purchase option is present, and it is reasonably certain the entity will exercise that option.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Key estimates and judgements related to leases include the discount rate used to discount the expected lease payments to present value, the lease term, and lease payments. The Authority uses the interest rate charged by the lessor/lessee as the discount rate, when available. When this rate is not provided, the Authority generally uses the estimated incremental borrowing rate. The lease term is the non-cancellable period if the lease, which is the initial term of the lease and any options to extend if they are reasonably certain to be exercised. Payments included in the measurement of the lease liability are composed of fixed payments and purchase option prices that are reasonably certain to be exercised.

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.

Property Tax Revenue

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

The Manistee Downtown Development Authority's 2022 tax is levied and collectable on July 1, 2022 and is recognized as revenue in the year ended June 30, 2023 when the proceeds of the levy are budgeted and available for the financing operations.

The 2022 taxable valuation of the City approximated \$11,439,815 (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 28.9618 mills. These captures, in conjunction with captures for which the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$343,105 of property tax revenue for the TIFA in the current year.

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.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- **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.

**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	\$ 601,987
Total	<u>\$ 601,987</u>

**NOTE 3 - CASH AND EQUIVALENTS (Continues)**

The breakdowns for deposits are as follows:

Petty Cash	\$ 1,000
Bank deposits (checking and savings accounts, certificates of deposit)	<u>600,987</u>
Total	<u>\$ 601,987</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.

*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, \$245,651 of the Authority’s bank balance of \$600,737 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).

**NOTE 3 - CASH AND EQUIVALENTS (Continued)**

- 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.
- 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- RIGHT TO USE ASSET:**

In June of 2021 the Authority entered into a 25-year lease with West Shore Community College for office space and parking spaces. A lease liability was determined in the amount of \$356,243 as of July 1, 2021. As of June 30, 2023, the value of the lease liability was recorded in the amount of \$297,592. The Authority is required to make \$30,000 annual payments for the first two years with annual payments of \$20,000 for the remainder of the lease term. The lease has an estimated incremental borrowing rate of 3.37%. The related right-to-use asset is amortized using the straight-line method over the term of the lease. The lease asset has been recorded at the present value of the future minimum lease payments and the prepayment amount as of the date of adoption.

The total amount of lease asset and related accumulation of amortization is as follows:

Right to use Asset	\$ 374,577
Less: Accumulated Depreciation	<u>(46,822)</u>
Carrying Value	<u>\$ 327,755</u>

**NOTE 5 - RISK MANAGEMENT**

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

**NOTE 6 - RESTATEMENT**

In Fiscal year 2022, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources, except for certain regulated leases. The Authority's 2023 financial statements include a prior period adjustment to account for the Right-to-Use Asset and Lease Liability.

Net Position June 30, 2022	\$	540,684
Adjustments:		
Right-to- Use Asset		374,577
Lease Liability		(356,244)
Lease Prepayment		(18,333)
Accumulated Amortization		(41,215)
Principle Portion of Lease Liability		<u>49,005</u>
Restated Net Position June 30, 2022	\$	<u>548,474</u>
Net Effect on Net Position	\$	<u>17,790</u>



## **Required Supplementary Information**

---

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 273,866	\$ 273,866	\$ 343,105	\$ 69,239
Event Revenues	28,000	28,000	43,636	15,636
State Sources	18,000	-	22,749	22,749
Other Income	200	200	2,671	2,471
Interest Income	200	200	421	221
<b>TOTAL REVENUES</b>	<b>320,266</b>	<b>302,266</b>	<b>412,582</b>	<b>110,316</b>
<b>EXPENDITURES:</b>				
<b>Community and Economic Development:</b>				
Office Expenses	5,000	5,000	4,416	584
Personnel and Consulting	110,000	110,000	92,500	17,500
Design Committee	153,959	153,959	156,591	(2,632)
Economic Restructuring	109,700	109,700	28,064	81,636
Lease Expense	30,000	30,000	29,167	833
Professional Fees	87,500	87,500	8,921	78,579
Marketing and Promotions	5,000	5,000	1,600	3,400
<b>TOTAL EXPENDITURES</b>	<b>501,159</b>	<b>501,159</b>	<b>321,259</b>	<b>179,900</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (180,893)</b>	<b>\$ (198,893)</b>	91,323	<b>\$ 290,216</b>
<b>FUND BALANCE BEGINNING OF YEAR</b>			<u>525,192</u>	
<b>FUND BALANCE END OF YEAR</b>			<u>\$ 616,515</u>	

# **Report on Compliance**

---



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MICPA**

**OFFICES IN MICHIGAN**

**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, 2023, 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 September 28, 2023.

**Report on 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 Board of Directors  
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. 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 or significant deficiencies may exist that were not identified.

### **Report on 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**

September 28, 2023



**ANDERSON, TACKMAN & COMPANY, PLC**  
CERTIFIED PUBLIC ACCOUNTANTS

**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL  
AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

MEMBER AICPA  
DIVISION FOR CPA FIRMS

MEMBER MICPA

OFFICES IN MICHIGAN

**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, 2023, and have issued our report thereon dated, September 28, 2023. 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.

**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 of 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.

- Management's estimate of the lease discount rate used to calculate the lease liability and their related deferred inflow is based on the incremental borrowing rate. We evaluated the key factors and assumptions used to develop the estimate 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 the 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 September 28, 2023.

### ***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.

## **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](http://www.gasb.org). If you have questions regarding the applicability, timing, or implementation, please contact us.

### ***GASB Statement No. 96 – Subscription based Information Technology Arrangements***

In May 2020, GASB issued Statement No. 96, *Subscription based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

This Statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible assets, as specified in the contract for a period of time in exchange or exchange-like transactions; (2) established that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. This statement is effective for the year ending March 31, 2024.

### ***GASB Statement No. 100, Accounting Changes and Error Corrections***

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62.

This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

This Statement improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable, and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending March 31, 2024.

## **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.



**Restrictions on Use**

This information is intended solely for the use of the Authority Board 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**

September 28, 2023