

**Manistee Downtown Development Authority**

---

**BASIC FINANCIAL STATEMENTS**

**June 30, 2025**

**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>4</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Statement of Net Position .....	9
Statement of Activities .....	10
Balance Sheet – Governmental Fund .....	11
Statement of Revenues, Expenditures, and Changes In Fund Balance – Governmental Fund .....	12
Reconciliation of the Statement of Revenues Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities .....	13
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>14</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
Major Fund: Budgetary Comparison Schedule – General Fund.....	22
<b>REPORT 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> .....	23



**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL

AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

**MEMBER AICPA**

**MEMBER MICPA**

**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, (a component unit of the City of Manistee, Michigan) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the 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, 2025, 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 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 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 period of time.

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 22 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2025 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 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 Authority's internal control over financial reporting and compliance.



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

October 21, 2025

## **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, 2025. 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 \$592,569 (shown as *Net Position*), representing a decrease of \$113,286 compared to the fiscal year ended June 30, 2024. Of this amount, \$573,343 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year, the Authority received \$489,159 in revenues and incurred \$602,445 in expenses, resulting in a decrease in net position of \$113,286.

At the end of the current fiscal year, unassigned fund balance for the General Fund was \$591,676 or 99% 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. such as the recognition of lease assets and liabilities under GASB 87.

#### **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 a single 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 (such as lease liabilities reported at the government-wide level under GASB 87).

Because the Authority reports its activity entirely in the General Fund, the reconciliation compares the General Fund to the government-wide financial statements to help readers understand how near-term inflows and outflows of spendable resources differ from the longer-term economic information reported at the government-wide level. The General Fund balance sheet and the General Fund statement of revenues, expenditures, and changes in fund balance provide the reconciliation between these two perspectives.

**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	
	2025	2024
<b>Assets</b>		
Current Assets	\$ 623,229	\$ 701,635
Noncurrent Assets	296,540	312,147
<b>Total Assets</b>	<b>\$ 919,769</b>	<b>\$ 1,013,782</b>
<b>Liabilities</b>		
Current Liabilities	60,541	30,613
Noncurrent Liabilities	266,659	277,314
<b>Total Liabilities</b>	327,200	307,927
<b>Net Position</b>		
Net Investment in Capital Asset	19,226	24,526
Unrestricted	573,343	681,329
<b>Total Net Position</b>	<b>\$ 592,569</b>	<b>\$ 705,855</b>

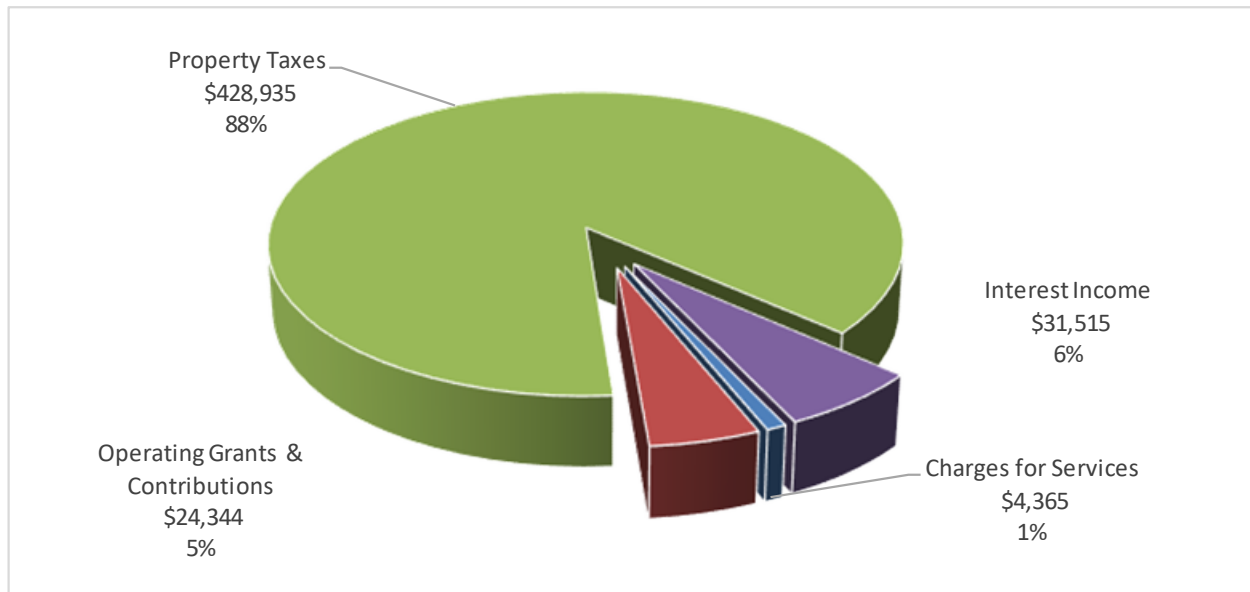
**Statement of Changes in Net Position**

	Governmental Activities	
	2025	2024
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for Services	\$ 4,365	\$ 1,528
Operating Grants and Contributions	24,344	102,500
<b>General Revenues and Special Items</b>		
Property Taxes	428,935	357,104
Interest Income	31,515	417
<b>Total Revenues</b>	<b>489,159</b>	<b>461,549</b>
<b>Expenses</b>		
Downtown Development	602,445	388,073
<b>Total Expenses</b>	<b>602,445</b>	<b>388,073</b>
<b>Changes in Net Position</b>	<b>(113,286)</b>	<b>73,476</b>
Net Position - Beginning	705,855	632,379
<b>Net Position - Ending</b>	<b>\$ 592,569</b>	<b>\$ 705,855</b>

**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**



As shown above, property taxes continue to represent the primary source of governmental revenues, while other revenue categories fluctuate from year to year based on grant activity, program cycles, and investment earnings.

**Government-wide Financial Analysis (Continued)**

Total assets decreased from the prior year primarily due to the amortization of the right-to-use lease asset and the application of accumulated resources to support current programming and operations. Liabilities changed only slightly, reflecting the scheduled reduction of the lease liability as payments were made during the year.

Property tax revenues increased, reflecting changes in taxable value and capture within the development district. Grant revenue decreased compared to the prior year, which is consistent with the timing of eligible project reimbursements and the reimbursement-based terms of the grant agreements. Interest income increased during the year as available cash balances were moved into an interest-bearing account with Michigan CLASS rather than held in non-interest-bearing local checking accounts.

Although net position decreased, unrestricted net position remains sufficient to support the Authority’s operational needs, and the Authority continues to maintain the ability to meet its financial commitments.

**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 an unassigned fund balance of \$591,676. This was a decrease of \$107,986 in unassigned fund balance from the previous year. The decrease reflects the use of accumulated fund balance to support current year programming and operations. Despite this planned application of resources, unassigned fund balance remains high relative to current expenditures, representing approximately 99% of annual spending. This level of fund balance continues to position the Authority to respond to ongoing operational needs and future initiatives.

**General Fund Budgetary Highlights**

When the budget was drafted, revenues were estimated on a conservative basis, with expenditures budgeted with additional capacity to accommodate program activity. As the year progressed, only minor amendments were made to the budget, and final budgeted amounts remained close to the original appropriations. Actual revenues were consistent with the final budget, and actual expenditures ended below budgeted levels, resulting in a positive expenditure variance for the year.

**Right to Use Asset**

The Authority’s net investment in capital assets as of June 30, 2025, amounted to \$19,226. This represents the right-to-use asset associated with the lease of parking and office space, which is reported under the requirements of GASB 87. No other capital asset activity is reported, as equipment and improvements used in district operations are maintained and owned by the City rather than the Authority.

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

Looking ahead to fiscal year 2026, the Authority anticipates continued use of available fund balance to support active grant reimbursement cycles and ongoing operational commitments. Taxable value within the district will continue to drive tax capture revenues, and service agreements with the City and the Chamber of Commerce remain in effect, subject to inflationary adjustments under their respective terms. With the planning and design phase of the River Street Streetscape project completed in FY25, activity is expected to shift toward construction-related disbursements in FY26.

Key program and contractual activities expected to impact FY26 include the following:

- **River Street Streetscape Redesign:** The Authority will continue planning and implementing the redesign of River Street's streetscape. In FY26, collaboration with RightSide Design Group is expected to shift toward final renderings and bid preparation activities. Engineering work may advance to construction documentation depending on contractor engagement timelines.
- **Façade Grant Program:** The Authority will continue to offer financial assistance to property and business owners to improve exterior building appearance, with several FY25-approved projects expected to request reimbursement in FY26 upon completion of their work.
- **Downtown Beautification:** Seasonal planting and decoration programs will continue under the Authority's coordination. Maintenance activity under the service agreement with the City will remain in place to support general appearance and upkeep of downtown areas.
- **Events and Downtown Engagement Programs:** The Authority will continue to utilize the event trailer and administer downtown programming efforts, including event support, management of the social district, and reimbursement for program-related costs.

## 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, 2025

	<u>Primary Government Governmental Activities</u>
<b>ASSETS:</b>	
Cash and Equivalents - Unrestricted	\$ 623,229
Taxes Receivable	-
Lease Right of Use Asset	<u>296,540</u>
Total Assets	<u>\$ 919,769</u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 49,425
Unearned Revenue	461
Lease Liability-Due within one year	10,655
Lease Liability-Due in more than one year	<u>266,659</u>
Total Liabilities	<u>327,200</u>
<b>NET POSITION:</b>	
Net Investment in Capital Asset Unrestricted	19,226 <u>573,343</u>
Total Net Position	<u>\$ 592,569</u>

# Manistee Downtown Development Authority

## Statement of Activities For the Year Ended June 30, 2025

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	\$ 602,445	\$ 4,365	\$ 24,344	\$ (573,736)
Total General Government	\$ 602,445	\$ 4,365	\$ 24,344	(573,736)
<b>General Revenues and Special Items</b>				
Property Taxes				428,935
Interest Income				31,515
Total General Revenues				460,450
				(113,286)
				705,855
				\$ 592,569

# Manistee Downtown Development Authority

## Balance Sheet Governmental Fund June 30, 2025

	<u>General</u>
<b>Assets:</b>	
Cash and Equivalents - Unrestricted	\$ 623,229
Prepaid Expense	18,333
Total Assets	<u>\$ 641,562</u>
<b>Liabilities:</b>	
Accounts Payable	\$ 49,425
Unearned Revenue	461
Total Liabilities	<u>49,886</u>
<b>Fund Balance:</b>	
Unassigned	<u>591,676</u>
Total Fund Balances	<u>591,676</u>
Total Liabilities and Fund Balances	<u>641,562</u>
<b>Reconciliation to amounts reported for governmental activities in the statement of net position:</b>	
Right to use Asset	296,540
Lease Prepaid	(18,333)
Lease liability	(277,314)
<b>Net position of governmental activities</b>	<u>\$ 592,569</u>

# **Manistee Downtown Development Authority**

## **Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2025**

	<u>General</u>
<b>REVENUES:</b>	
Property Taxes	\$ 428,935
Grant Revenues	-
Event Revenues	4,220
State Sources	24,344
Other Income	145
Interest Income	<u>31,515</u>
TOTAL REVENUES	<u>489,159</u>
<b>EXPENDITURES:</b>	
Community and Economic Development:	
Office Expenses	4,450
Personnel and Consulting	100,000
Design Committee	110,058
Economic Restructuring	240,105
Lease Expense	20,000
Professional Fees	106,160
Marketing and Promotions	<u>16,372</u>
TOTAL EXPENDITURES	<u>597,145</u>
NET CHANGE IN FUND BALANCE	(107,986)
FUND BALANCE BEGINNING OF YEAR	<u>699,662</u>
FUND BALANCE END OF YEAR	<u><u>\$ 591,676</u></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, 2025

Net Change in fund balances – governmental fund \$ (107,986)

The change in net reported for governmental  
Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense.

Amortization expense (15,607)

Repayment of long-term debt are reported as expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and do not affect the statement of activities.

Principle lease payment 10,307

Changes in Net Position of General Government \$ (113,286)

## **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 Downtown Development Authority for the City in accordance with Public Act 57 of 2018, as amended, including, but not limited to, correcting and preventing deterioration in the Downtown Development District, encouraging historic preservation, and promoting economic growth.

The Authority is governed by a nine (9)-member board consisting of the City Manager of the City of Manistee and at least five (5) members having an interest in property located in the downtown district. At least one (1) board member must be a resident of the downtown district if it has 100 or more residents. The City Council appoints the members of the Board, and the City has the ability to significantly influence operations; therefore, the Authority is included in the City’s financial statements as a discretely presented component unit.

**B – Government-Wide and Fund Financial Statements:**

The government-wide financial statements (the statement of net position and the statement of activities) present information on all activities of the Authority using the economic resources measurement focus and the accrual basis of accounting. Governmental activities are normally supported by taxes and intergovernmental revenues. The Authority has no business-type activities.

The statement of net position presents the Authority’s financial position, including all assets, deferred outflows, liabilities, and deferred inflows, with the difference reported as net position. The statement of activities demonstrates the degree to which program revenues offset the cost of services and shows how net position changed during the year.

Fund financial statements are also presented and provide information about the Authority’s governmental fund using the current financial resources measurement focus and the modified accrual basis of accounting. Governmental fund statements focus on near-term inflows, outflows, and balances of spendable resources.

Because the focus of governmental funds is narrower than that of the government-wide statements, a reconciliation is provided to explain the differences between the fund financial statements and the government-wide financial statements.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The Authority reports the General Fund as its only governmental fund, and it is presented as a major fund. Revenues are recognized when they are both measurable and available. Property tax revenues are recognized in the fiscal year in which amounts are received from the County, as the taxes collected and remitted are not susceptible to accrual beyond the current fiscal year. Expenditures are generally recorded when a liability is incurred, except for certain items, such as lease payments, which are recorded when payment is due.

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

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

Cash and Equivalents – Cash and cash equivalents include cash on hand, deposits, and highly liquid investments with original maturities of three months or less, including amounts held in MI CLASS. Deposits are recorded at cost.

Accounts and Notes Receivable – The Authority did not report any receivables in the current year. Accounts receivable, when present, consist of amounts due in the normal course of operations and are recorded in the government-wide statements.

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 – Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until that time. The Authority did not report any deferred outflows of resources in the current year outside of those related to lease activity, which are disclosed in Note 5.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. The Authority did not report any deferred inflows of resources in the current year.

Lease Liability – Lease liabilities are recorded at the present value of expected future lease payments under GASB 87. Corresponding right-to-use assets are recorded at the lease commencement date and amortized over the shorter of the lease term or the useful life of the underlying asset. Additional details regarding the Authority’s lease activity are presented in Note 5.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. 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 2024 tax is levied and collectable on July 1, 2024 and is recognized as revenue in the year ended June 30, 2025 when the proceeds of the levy are budgeted and available for the financing operations.

The 2024 taxable valuation of the City approximated \$19,152,436 (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 29.3510 mills. These captures, in conjunction with captures for which the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$428,935 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 reflect the extent to which the Authority is bound to honor constraints on the use of resources.

Under GASB Statement No. 54, fund balance is classified into the following categories:

- Nonspendable – This classification includes amounts that cannot be spent because they are not in spendable form or are legally or contractually required to remain intact. The Authority reports no nonspendable fund balance.
- Restricted – This classification includes amounts that can be spent only for specific purposes imposed by external parties or by law. The Authority reports no restricted fund balance.
- Committed – This classification includes amounts that can be used only for specific purposes as a result of formal action by the Authority’s governing board. The Authority has not committed any fund balance.
- Assigned – This classification includes amounts intended by the Authority to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. The Authority has not assigned any fund balance.
- Unassigned – This classification includes all remaining fund balance that is not classified in the categories above. The Authority reports all of its fund balance as unassigned in the General Fund.

The Authority’s policy is that restricted, committed, and assigned resources would be used before unassigned resources; however, the Authority reports only unassigned fund balance.

## **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. The budget is adopted at the function level, which is the legal level of budgetary control. All annual appropriations lapse at fiscal year-end.

The Authority adopts a budget only for the General Fund. The budget must be adopted by July 1 in accordance with Michigan Public Act 621. Expenditures in excess of amounts appropriated are a violation of State law. The governing body is permitted to amend the budget during the year, and amendments were made in a legally permissible manner.

The Authority does not use encumbrance accounting. Budgetary amounts are considered to be expended once the goods are delivered or the services are 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 savings and loan associations that have an office in Michigan. The Authority may also 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 and investments are made in accordance with statutory authority.

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

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>623,229</u>
Total	\$ <u>623,229</u>

The breakdown between cash and investments is as follows:

Petty Cash	\$ 1,000
Investments (MI Class)	556,549
Bank deposits (checking and savings accounts, certificates of deposit)	<u>65,680</u>
Total	\$ <u>623,229</u>

*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 a separate custodial credit risk policy, and the Authority follows state statute as its deposit policy. At year-end, \$65,680 of the Authority’s bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized. Balances held in MI CLASS are not subject to custodial credit risk disclosure.

*Interest rate risk.* State law limits allowable investments and the maturities of some of the allowable investments. The Authority does not have a formal investment policy beyond compliance with state law.

*Credit risk.* The Authority has no rated investments other than amounts held in MI CLASS, which is an authorized external investment pool.

*Fair value measurement.* MI CLASS investments are measured at fair value in accordance with Paragraph 79(a) of Statement 31 and are not required to be categorized within the fair value hierarchy for purposes of Paragraph 81(a)(2) of Statement 72.

Authorized investments under Public Act 20 of 1943, as amended, include U.S. Treasury and agency securities, certificates of deposit, repurchase agreements, mutual funds, and investment pools such as MI CLASS. The Authority invests only in those instruments permitted by statute and does not hold any investments outside of these allowable categories.

**NOTE 3 - CASH AND EQUIVALENTS (Continued)**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.
- 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. The City carries commercial insurance for liability and property coverage applicable to the Authority. Settled claims relating to the Authority have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 5 - LEASE**

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, 2025, the value of the lease liability was recorded in the amount of \$287,621. 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 Authority recognizes a lease liability and a corresponding right-to-use lease asset in accordance with its lease accounting policy described in Note 1.

The amount of lease assets and the related accumulated amortization are as follows:

<b>Year Ended June 30,</b>	<b>Amortization Expense</b>	<b>Accumulated Amortization</b>
2026	\$ 15,608	\$ 93,645
2027	15,608	109,253
2028	15,608	124,861
2029	15,608	140,469
2030	15,608	156,077
2031-2035	78,037	234,114
2036-2040	78,035	312,149
2041-2044	62,428	374,577
<b>Total</b>	<b>\$ 296,540</b>	

The future minimum lease obligations and net present value of the lease for the Authority's lease liability as of June 30, 2025, are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	10,655	\$ 9,345	\$ 20,000
2027	11,013	8,987	20,000
2028	11,385	8,615	20,000
2029	11,768	8,232	20,000
2030	12,165	7,835	20,000
2031-2035	67,258	32,742	100,000
2036-2040	79,381	20,619	100,000
2041-2044	73,689	6,311	80,000
<b>Total</b>	<b>\$ 277,314</b>	<b>\$ 102,686</b>	<b>\$ 380,000</b>

At June 30, 2025, the net carrying value of the right-to-use lease asset was \$19,226, which is reported as Net Investment in Capital Assets in the government-wide Statement of Net Position.

**NOTE 6 – COMMITMENTS AND AGREEMENTS**

The Authority has entered into several ongoing service and development agreements that extend beyond the current fiscal year.

**City Service Agreement** – The Authority maintains an annual service agreement with the City of Manistee for downtown maintenance activities, including landscaping, beautification, and marina space support. The base contractual amount is \$32,500 per year and is subject to annual inflation adjustment not to exceed 3%. The agreement remains in effect and is expected to continue into fiscal year 2026.

**Chamber of Commerce Agreement** – The Authority contracts with the Manistee Area Chamber of Commerce to provide administrative and economic development services, including staffing and executive director functions. The contract is \$80,000 annually, subject to CPI-based adjustment, and remains in effect through August 31, 2026. The Authority is committed to the remaining annual amounts under this agreement.

**Streetscape Design and Redevelopment** – The Authority entered into professional service agreements with RightSide Design Group and Spicer Group for streetscape planning and engineering. Phase 1 design costs were incurred in the current fiscal year. Future construction-phase costs are expected upon issuance of bid documents and contractor award, and the Authority anticipates continued commitments related to this project in fiscal year 2026.

**Facade Grant and MEDC/MSF Economic Development Funding** – The Authority participates in the MEDC/MSF façade and redevelopment grant program, under which reimbursements are issued to approved applicants upon completion of eligible improvements. As of year-end, a portion of the total grant award remains available for future façade reimbursement activity, and the Authority is committed to reimbursing applicants upon verification of eligible costs.

The Authority has no other outstanding long-term commitments, contingent liabilities, or construction contracts requiring disclosure beyond those noted above.

**NOTE 7 – GRANT REVENUE AND ELIGIBILITY REQUIREMENTS**

The Authority participates in the MEDC/MSF façade and economic development grant program. Grant revenue is recognized when eligible project expenditures are incurred and approved for reimbursement in accordance with grant terms. Revenue is not recognized until all eligibility requirements have been met.

During the year, the Authority reimbursed approved applicants for eligible façade improvements using grant proceeds. A portion of the total grant award remains available for future reimbursement activity. The Authority does not report unearned grant revenue or a liability as it only disburses grant funds upon verification of eligible expenditures.

Remaining grant capacity will be utilized in future fiscal periods as additional projects reach completion.

**NOTE 8 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date of issuance of these financial statements. No events occurred after year-end that require recognition or disclosure in the financial statements.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

The City of Manistee appoints the members of the Authority’s governing board and provides administrative and operational support under the terms of a service agreement. During the fiscal year, the Authority made payments to the City for contracted services and reimbursements in accordance with that agreement.

**NOTE 10 – NEW GASB IMPLEMENTATIONS**

In June 2022, GASB issued Statement No. 101, Compensated Absences. The objective of this statement is to update the recognition and disclosure requirements for compensated absences, including vacation and sick leave, by clarifying when a liability should be recognized and how it should be measured.

The Authority implemented GASB Statement No. 101 for the fiscal year ended June 30, 2025. The adoption of this statement did not have a significant impact on the Authority’s financial statements.

## **Required Supplementary Information**

---

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2025**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 365,376	\$ 365,376	\$ 428,935	\$ 63,559
Grant Revenues	75,000	75,000	-	(75,000)
Event Revenues	-	-	4,220	4,220
State Sources	18,000	18,000	24,344	6,344
Other Income	200	200	145	(55)
Interest Income	18,000	18,000	31,515	13,515
<b>TOTAL REVENUES</b>	<u>476,576</u>	<u>476,576</u>	<u>489,159</u>	<u>12,583</u>
<b>EXPENDITURES:</b>				
<b>Community and Economic Development:</b>				
Office Expenses	5,800	5,800	4,450	1,350
Personnel and Consulting	100,000	100,000	100,000	-
Design Committee	197,500	197,500	110,058	87,442
Economic Restructuring	240,800	240,800	240,105	695
Lease Expense	20,000	20,000	20,000	-
Professional Fees	113,000	113,000	106,160	6,840
Marketing and Promotions	15,000	15,000	16,372	(1,372)
<b>TOTAL EXPENDITURES</b>	<u>692,100</u>	<u>692,100</u>	<u>597,145</u>	<u>94,955</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (215,524)</u>	<u>\$ (215,524)</u>	(107,986)	<u>\$ 107,538</u>
<b>FUND BALANCE BEGINNING OF YEAR</b>			<u>699,662</u>	
<b>FUND BALANCE END OF YEAR</b>			<u>\$ 591,676</u>	

# **Report on Compliance**

---



**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL

AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

**MEMBER AICPA**

**MEMBER MICPA**

**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, 2025, 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 21, 2025.

**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**

October 21, 2025



**KINROSS OFFICE**

KENNETH A. TALSMA, CPA, PRINCIPAL

AMBER N. MACK, CPA, PRINCIPAL

TORI N. KRUISE, CPA

**MEMBER AICPA**

**MEMBER MICPA**

**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 Manistee Downtown Development Authority (“the Authority”) for the year ended June 30, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 29, 2025. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, other than the required implementation of GASB Statement No. 101, Compensated Absences. We noted no transactions entered into by the Authority 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(s) affecting the General Fund’s financial statements was:

- Management’s estimate of the allowance for the lease discount rate used to calculate the lease liability and their related deferred inflows is based on incremental borrowing rate. We evaluated the methods, assumptions, and data 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 each opinion unit's financial statements taken as a whole.

### ***Disagreements 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 21, 2025.

### ***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 Authority'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 Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

We applied certain limited procedures to the Management's Discussion & Analysis and Budgetary Comparison Schedule, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other 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.

**Restriction on Use**

This information is intended solely for the information and use of the Authority's Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

**Conclusion**

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.



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

October 21, 2025