

Agenda

Downtown Development Authority

Board of Directors

City of Kalamazoo



Monday, July 17, 2023

3:00 PM

The Community Room at City Hall - 241 W. South Street

A. CALL TO ORDER/ROLL CALL

B. ADOPTION OF FORMAL AGENDA

C. APPROVAL OF MINUTES

1. Approval of the minutes from the meeting of the Downtown Development Authority Board on May 15, 2023. (**Action: Motion to approve**)

D. REPORTS AND PRESENTATIONS

1. Financial Report (**Action: Accept the Financial Report as presented**)
2. Presentation of the annual audit by Maner Costerisan, the DDA and DEGA's external auditor. (**Action: Accept the Audit as presented**)

E. DISCUSSION/ACTION ITEMS

1. Termination of Restated Contract of Sublease for Kalamazoo's Parking System (**Action: Approval of the Termination of Restated Contract of Sublease for Kalamazoo's Parking System**)

F. PUBLIC COMMENTS

G. DIRECTORS' COMMENTS

H. ADJOURNMENT

Board of Directors Regular Meeting Minutes

May 15, 2023, 3:00 p.m. | Community Room, Kalamazoo City Hall

PRESENT: Mayor David Anderson, Curt Aardema, Jeff Breneman, Carl Brown, Grant Fletcher, Stephanie Hinman, Susan Lindemann, Clarence Lloyd

ABSENT: Matt Hollander

STAFF: Rebekah Kik, Paul Thuringer, Jerrid Burdue, Steve Vicenzi, Jaime Marsman

A. CALL TO ORDER

DIRECTOR LINDEMANN CALLED THE MEETING TO ORDER AT 3:01 P.M

SWEARING IN OF NEW MEMBERS

Scott Borling, City Clerk, swore in Curt Aardema and Clarence Lloyd as members of the DDA and DEGA Boards.

ROLL CALL

PRESENT: Mayor David Anderson
Curt Aardema
Jeff Breneman
Carl Brown
Grant Fletcher
Stephanie Hinman
Susan Lindemann
Clarence Lloyd

ABSENT: Matt Hollander

EXCUSED: Matt Hollander

THE MAY 15, 2023, ATTENDANCE INCLUDING EXCUSED AND UNEXCUSED ABSENCES ARE RECORDED.

B. ADOPTION OF FORMAL AGENDA

DIRECTOR FLETCHER MOVED TO ADOPT THE MAY 15, 2023 AGENDA. DIRECTOR AARDEMA SECONDED. NO OBJECTIONS. MOTION CARRIED.

Board of Directors Regular Meeting Minutes

May 15, 2023, 3:00 p.m. | Community Room, Kalamazoo City Hall

C. APPROVAL OF MINUTES

DIRECTOR BRENEMAN MOVED TO APPROVE THE APRIL 17, 2023 MINUTES. DIRECTOR FLETCHER SECONDED. NO OBJECTIONS. MOTION CARRIED.

D. REPORTS AND PRESENTATIONS

1. Financial Report

Mr. Vicenzi noted that, in April, a monthly activity column was added. Mr. Vicenzi shared highlights from the report.

DIRECTOR FLETCHER MOVED TO ACCEPT THE FINANCIAL REPORT AS PRESENTED. MAYOR ANDERSON SECONDED. NO OBJECTIONS. MOTION CARRIED.

E. DISCUSSION/ACTION ITEMS

1. Swearing-In of New DDA Board Members

This was accomplished at the beginning of the meeting before Roll Call.

2. DDA Development Presentation

Ms. Kik noted that Attorney Jessica Wood was present to answer any questions. The DDA TIF plan was sunsetted when the DEGA was put into use. The Executive Committee has discussed how to put a new DDA Development Plan into action and help guide the resources that the DDA has.

Attorney Wood stated that the DDA normally has two components: The Development Plan and a TIF Component. This TIF plan was dissolved a few years ago and now the DDA's sole source of revenue is the 2 mills which it continues to levy. In order to spend those funds, it is advisable to have a Development Plan to demonstrate how the funds are spent. Attorney Wood stated that it is recommended that the DDA begin a Development Plan. She stated that there are elements to this plan that are required by statute and walked the Board through the main areas required.

Ms. Kik shared the draft of the plan including the top three priorities as identified by the Yard & Co work. Diagrams from the plan show what the updated operating system would look like, the first 16-foot descriptions, and a discussion of the projects that were outlined in the plan as well (North & South Burdick, Exchange Alley, Neon Creek, etc.). Cost detail estimates were shared. Ms. Kik shared a breadcrumbs map as a draft for a master plan of art installations.

Attorney Wood stated that this plan does not need to list every program/event in detail, but is, rather, a general outline of desired outcomes. Attorney Wood stated all items must be done in accordance with statutory powers – all centering around economic development.

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Ms. Kik shared the Authority Structure & Powers document which details the specific powers of both the DDA & DEGA Boards.

Mayor Anderson requested clarification regarding how the DDA/DEGA interact and co-exist. Attorney Wood stated that a Corridor Improvement Authority (CIA) cannot levy, but a DDA can, which is likely the core reason for retaining both boards. Also, the DDA had outstanding obligations.

Director Lindemann requested an explanation regarding the 2 mills in those areas. Attorney Wood shared information regarding this and explained the role of the City Assessor and the annual calculation that is done by the office each year to determine growth. It was discussed that it was a strategic decision by the Board to reset the base. Director Breneman noted that updating of the boundaries also happened at the time of the base reset.

It was affirmed that the DEGA will eventually generate significant value. Attorney Wood noted that TIF is a slow but steady way to generate value.

Director Aardema requested information on Brownfield, especially in regard to priority. Attorney Wood stated that if the DDA is already established and a developer wants to capture Brownfield, either the parcel needs to be removed from the district or a sharing agreement can be entered into. Attorney Wood noted that the plan has been amended to allow the DDA to step aside for Brownfield capture.

There was discussion on which group would finalize the Development Plan. Attorney Wood stated that they should work with the Planning and Brownfield departments to be aware of any future projects. Director Fletcher asked if non-Board members could participate in this discussion. It was affirmed that a Committee could be formed. Director Breneman noted that larger community/stakeholder input wasn't needed at this time as this is a guiding-principle document. Ms. Kik noted that the Master Plan and other downtown documents have already had community participation.

Director Lindemann stated that a Development Plan Committee could be assembled and brought to the Board for approval.

**DIRECTOR BRENEMAN MOVED TO CREATE A DEVELOPMENT PLAN PLANNING COMMITTEE.
DIRECTOR FLETCHER SECONDED. NO OBJECTIONS. MOTION CARRIED.**

Attorney Wood noted that this Development Plan would go to the City Commission for final approval.

F. PUBLIC COMMENTS

Heather Holmer, Owner of Rocket Fizz: Ms. Holmer stated that Downtown business owners have been working to create events. She questioned whether funds were available to assist with those events, especially in terms of marketing. She noted that Traverse City has implemented a WhatsApp

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group for business owners and this could be helpful in sharing information between business owners. Ms. Holmer noted that a simple list of events with a QR code would be helpful. She also asked for an update on flower plantings on the Mall.

G. DIRECTOR'S COMMENTS

1. Director Fletcher stated that the City of Kalamazoo Parks & Rec Department are working on the flower boxes on the Mall. This will likely not happen until the last frost date of May 23.

H. ADJOURNMENT

DIRECTOR LINDEMANN ADJOURNED THE MEETING AT 3:36 P.M.

Downtown Development Authority 5/31/2023 Trial Balance

Assets:

Cash	\$ 568,017
Receivables	26,487
Due from City	-
Total Assets	594,504

Liabilities & Equity:

Accounts Payable	31,251
Deferred Revenue - Accounts Receivable	26,487
Total Liabilities	57,738

Fund Balance

Fund Balance	536,766
Total Liabilities and Fund Balance	\$ 594,504

	2023 Adopted Budget	May Totals	2023 YTD Actuals
Revenues:			
Taxes	\$ 274,000		\$ -
Payment In Lieu Of Taxes (Pilot)	2,000		-
Other Revenues - Mall Maintenance	59,210		59,210
Total Revenues	335,210		59,210
Expenses:			
Professional And Contractual Services	154,000	-	143
Land Improvements	-	26,828	66,716
Software fees	-	-	2,600
Legal Services And Fees	7,500	7,239	7,239
Audit Fees	10,000	3,040	3,040
Insurance Services	2,500		-
Utilities	31,000	204	850
Administrative Fees	125,000		-
Tax Appeal Refunds	5,000		-
Total Expenses	\$ 335,000	\$ 37,311	\$ 80,588
Revenues Less Expenses	210		\$ (21,378)

Notes:

Pilot Details From 2022:

Rickman House	\$ 162
Skyrise	\$ 1,582

Professional And Contractual Services:

Portland Loo Maintenance
Mall Maintenance
Bates Alley Maintenance
Mowing
General Downtown Maintenance Activities

Utilities:

Electricity
Water And Sewer
Street Light Electricity

Long Term Debt Outstanding:

City Of Kalamazoo Note	459,000
City Of Kalamazoo Note - Related Tax Liability	532,864
Mavcon Note - In Negotiation	TBD

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
KALAMAZOO COUNTY, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)**

YEAR ENDED DECEMBER 31, 2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
City of Kalamazoo Downtown Development Authority
Kalamazoo, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Kalamazoo Downtown Development Authority (the Authority), a component unit of the City of Kalamazoo, Michigan, as of and for the year ended December 31, 2022, 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, the business-type activities, and each major fund of the Authority, as of December 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof 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 the 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 judgment 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 procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 information, as identified in the table of contents, 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 inquiries of management about 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 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the City of Kalamazoo Downtown Development Authority and do not purport to, and do not present fairly the financial position of the City of Kalamazoo, Michigan, as of December 31, 2022, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2023 on our consideration of the 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 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.

Maney Costeiran PC

June 29, 2023

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of financial performance provides a comparison overview of the City of Kalamazoo Downtown Development Authority's (the Authority) financial activities for FY 2022 and FY 2021. Please read this document in conjunction with the Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for FY 2022:

A. Government-wide

- Liabilities of the Authority exceeded its assets at the close of FY 2022 by \$109,596.
- Governmental activities net position (deficit) was (\$1,773,125).
- Business-type activities net position was \$1,663,529.

B. Fund Level

- The General Fund fund deficit decreased by \$156,692 to (\$733,373).
- The Parking System Fund net position decreased by \$460,089 to \$1,663,529.

C. Restatements and Corrections

- The General Fund fund balance and governmental activities net position was restated to reclassify the Parking System to an enterprise fund and business-type activity.
- The General Fund beginning fund balance and liabilities were corrected to recognize obligations for scheduled payments not made.
- The General Fund beginning fund balance and deferred inflows were corrected to recognize unavailable revenues for outstanding accounts receivable.
- The governmental activities statement of net position and long term liabilities were corrected to recognize long term obligations for direct borrowings and placements.

Using this Annual Report

This annual report consists of several financial statements. The government-wide statement of net position and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The governmental fund financial statements present a short-term view which reveals how resources were spent during the year and what resources are available for future spending. The proprietary fund financial statements are presented on the same longer-term view as the government-wide financial statements. Fund financial statements also report the operations of the Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant funds.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Authority as a Whole

The following table shows, in condensed format, a comparison of net position of the Authority as of December 31, 2021, and December 31, 2022. Beginning in 2022 the parking system was reported as a business-type activity rather than a governmental activity. The 2021 information has not been restated.

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
ASSETS						
Current and other assets	\$ 2,373,519	\$ 627,701	\$ -	\$ 2,794,139	\$ 2,373,519	\$ 3,421,840
Capital assets	266,341	58,162	-	172,748	266,341	230,910
TOTAL ASSETS	2,639,860	685,863	-	2,966,887	2,639,860	3,652,750
LIABILITIES						
Current liabilities	215,594	1,125,597	-	1,303,358	215,594	2,428,955
Noncurrent liabilities	991,864	1,333,391	-	-	991,864	1,333,391
TOTAL LIABILITIES	1,207,458	2,458,988	-	1,303,358	1,207,458	3,762,346
NET POSITION						
Investment in capital assets	266,341	58,162	-	172,748	266,341	230,910
Unrestricted	1,166,061	(1,831,287)	-	1,490,781	1,166,061	(340,506)
TOTAL NET POSITION	\$ 1,432,402	\$ (1,773,125)	\$ -	\$ 1,663,529	\$ 1,432,402	\$ (109,596)

The following table shows the changes in net position during the previous and current year. Beginning in 2022 the parking system was reported as a business-type activity rather than a governmental activity. The 2021 information has not been restated.

	Governmental Activities		Business-type Activities		Total	
	2021	2022	2021	2022	2021	2022
REVENUE						
Program revenue						
Charges for services	\$ 1,479,989	\$ -	\$ -	\$ 1,647,617	\$ 1,479,989	\$ 1,647,617
Operating grants and contributions	167,593	59,210	-	-	167,593	59,210
General revenue						
Property taxes	260,293	282,733	-	-	260,293	282,733
Interest	24,905	207	-	17,883	24,905	18,090
Miscellaneous	70,422	1,577	-	-	70,422	1,577
TOTAL REVENUE	2,003,202	343,727	-	1,665,500	2,003,202	2,009,227
EXPENSES						
General government	1,089,193	-	-	-	1,089,193	-
Public works	1,436,584	12,320	-	-	1,436,584	12,320
Community and economic development	-	44,568	-	-	-	44,568
Parking system	-	-	-	2,125,589	-	2,125,589
Interest on long-term debt	5,969	12,542	-	-	5,969	12,542
TOTAL EXPENSES	2,531,746	69,430	-	2,125,589	2,531,746	2,195,019
Change in Net Position	\$ (528,544)	\$ 274,297	\$ -	\$ (460,089)	\$ (528,544)	\$ (185,792)

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Governmental Activities

The Authority's governmental activity revenues totaled \$343,727 with the largest revenue source being property taxes. Property taxes make up approximately 82% of the total governmental revenue.

The Authority incurred governmental expenses of \$69,430 during the fiscal year, with the largest expenses being community and economic development (\$44,568). Operating expenses decreased \$2,462,316, or 97%, from the prior year due to reclassifying the parking activities to a business-type activity.

Business-type Activities

The Authority's business-type activity revenues totaled \$1,665,500 with the largest revenue source being charges for services. Charges for services make up approximately 99% of the total business-type activity revenue.

The Authority incurred business-type expenses of \$2,125,589 during the fiscal year for the operation and maintenance of the Parking System. These activities were previously reported within the governmental activities.

Governmental Fund Financial Statements

The General Fund is the chief operating fund of the Authority. During the year, the fund deficit decreased \$156,692 to (\$733,373), which represents (400%) of annual expenditures. Total revenues decreased by \$1,773,893, or approximately 84%, from the prior year. This is due to the revenues related to the parking system being recorded in a separate enterprise fund in the current year. Total expenditures decreased by \$2,310,239, or approximately 93% over the prior year, due to the parking fund expenditures being recorded in a separate fund in the current year.

Enterprise Fund Statements

The Parking System Fund accounts for the business-type activities of the Authority and presents the same information as noted above for the business-type activities.

General Fund Budgetary Highlights

During the year, the General Fund of the Authority had budgeted amounts for revenues of \$277,000, with actual revenues exceeding that amount by \$60,444 due to intergovernmental revenues received from the City of Kalamazoo. The General Fund of the Authority budgeted for expenditures in the amount of \$277,000, with actual expenditures being less than that amount at \$180,752. Actual expenditures came in \$96,248 under the budgeted appropriations, primarily due to intentional cost reduction efforts to increase fund balance to settle outstanding debts.

Capital Asset Administration

At December 31, 2022, the Authority had invested \$230,910, net of accumulated depreciation, in capital assets. Net capital assets for governmental activities totaled \$58,162, while net capital assets for business-type activities totaled \$172,748. No new capital assets were acquired during the year. During the year, the Authority recognized \$1,496 and \$33,935 for depreciation expense for governmental and business-type activities, respectively. See Note 5 to the financial statements for additional information related to capital assets.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Long-Term Debt

The Authority currently holds four long-term obligations payable to the City of Kalamazoo, the Kalamazoo Community Foundation, and a developer. At December 31, 2022, the outstanding principal on the notes and agreements totaled \$1,123,068. The current year debt service payment to the City of Kalamazoo as well as the current year payments due to the developer were not made. The City of Kalamazoo and the Authority are currently in the process of negotiations regarding the amounts owed and repayment terms due to changes in the Authority's projected TIF captures. Amounts that have become due on these notes and agreements and remain unpaid as of the end of the fiscal year are reported as due to other governmental units and due to developers in the General Fund balance sheet. The amount is still owed but currently the City of Kalamazoo and developer are not enforcing payments. In addition, the Authority has received a long-term advance from the City of Kalamazoo in the amount of \$459,000. See Note 6 to the financial statements for additional information related to long-term obligations.

Economic Factors and Next Year's Budgets

Future taxes collected are expected to remain stable as property values continue to rise. Increased values within the Authority's district are captured by the Downtown Economic Growth Authority. The Authority will continue to look to increase its impact through other revenue streams.

Contacting the Authority

This financial report is intended to provide citizens, taxpayers, customers, and investors with the general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need any additional information, we welcome you to contact the City of Kalamazoo Downtown Development Authority, 241 W South Street., Kalamazoo, MI 49007.

BASIC FINANCIAL STATEMENTS

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 533,666	\$ 2,451,723	\$ 2,985,389
Receivables	38,833	30,240	69,073
Internal balances	(4,151)	4,151	-
Due from other governmental units	59,353	-	59,353
Note receivable	-	308,025	308,025
Total current assets	<u>627,701</u>	<u>2,794,139</u>	<u>3,421,840</u>
Noncurrent assets			
Capital assets not being depreciated	58,162	-	58,162
Capital assets, net of accumulated depreciation	-	172,748	172,748
Total noncurrent assets	<u>58,162</u>	<u>172,748</u>	<u>230,910</u>
TOTAL ASSETS	<u>685,863</u>	<u>2,966,887</u>	<u>3,652,750</u>
LIABILITIES			
Current liabilities			
Accounts payable	2,684	169,819	172,503
Accrued liabilities	16,660	-	16,660
Unearned revenue	-	45,762	45,762
Accrued interest payable	7,616	-	7,616
Due to developers	391,200	-	391,200
Due to other governmental units	458,760	1,087,777	1,546,537
Current portion of notes and agreements payable	248,677	-	248,677
Total current liabilities	<u>1,125,597</u>	<u>1,303,358</u>	<u>2,428,955</u>
Noncurrent liabilities			
Advance from other governmental units	459,000	-	459,000
Noncurrent portion of notes and agreements payable	874,391	-	874,391
Total noncurrent liabilities	<u>1,333,391</u>	<u>-</u>	<u>1,333,391</u>
TOTAL LIABILITIES	<u>2,458,988</u>	<u>1,303,358</u>	<u>3,762,346</u>
NET POSITION (DEFICIT)			
Investment in capital assets	58,162	172,748	230,910
Unrestricted	(1,831,287)	1,490,781	(340,506)
TOTAL NET POSITION (DEFICIT)	<u>\$ (1,773,125)</u>	<u>\$ 1,663,529</u>	<u>\$ (109,596)</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities						
Public works	\$ 12,320	\$ -	\$ -	\$ (12,320)	\$ -	\$ (12,320)
Community and economic development	44,568	-	59,210	14,642	-	14,642
Interest on long-term debt	12,542	-	-	(12,542)	-	(12,542)
Total governmental activities	69,430	-	59,210	(10,220)	-	(10,220)
Business-type activities						
Parking system	2,125,589	1,647,617	-	-	(477,972)	(477,972)
Total	<u>\$ 2,195,019</u>	<u>\$ 1,647,617</u>	<u>\$ 59,210</u>	<u>(10,220)</u>	<u>(477,972)</u>	<u>(488,192)</u>
General revenues						
Property taxes				282,733	-	282,733
Interest				207	17,883	18,090
Miscellaneous				1,577	-	1,577
Total general revenues				284,517	17,883	302,400
Change in net position				274,297	(460,089)	(185,792)
Restated net position (deficit), beginning of year				(2,047,422)	2,123,618	76,196
Net position (deficit), end of year				<u>\$ (1,773,125)</u>	<u>\$ 1,663,529</u>	<u>\$ (109,596)</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2022**

	<u>General Fund</u>
ASSETS	
Cash	\$ 533,666
Receivables	
Accounts	26,487
Taxes	12,346
Due from other governmental units	<u>59,353</u>
TOTAL ASSETS	<u><u>\$ 631,852</u></u>
LIABILITIES	
Accounts payable	\$ 2,684
Accrued liabilities	16,660
Due to other funds	4,151
Due to developers	391,200
Due to other governmental units	458,760
Advance from other governmental units	<u>459,000</u>
TOTAL LIABILITIES	<u>1,332,455</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>32,770</u>
FUND BALANCE (DEFICIT)	
Unassigned	<u>(733,373)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	<u><u>\$ 631,852</u></u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Fund balance (deficit) - governmental fund **\$ (733,373)**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 268,885	
Accumulated depreciation is	<u>(210,723)</u>	
Capital assets, net		58,162

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Unavailable revenue		32,770
---------------------	--	--------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Notes payable	(536,268)	
Developer agreements payable	(586,800)	
Accrued interest payable	<u>(7,616)</u>	
		<u>(1,130,684)</u>

Net position (deficit) of governmental activities **\$ (1,773,125)**

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 276,450
Intergovernmental	59,210
Interest	207
Other	<u>1,577</u>
TOTAL REVENUES	<u>337,444</u>
EXPENDITURES	
Current	
Public works	12,320
Community and economic development	91,972
Debt service	<u>76,460</u>
TOTAL EXPENDITURES	<u>180,752</u>
EXCESS OF REVENUES OVER EXPENDITURES	156,692
Restated fund balance, beginning of year	320,022
Prior period adjustment	<u>(1,210,087)</u>
Fund balance (deficit), end of year	<u><u>\$ (733,373)</u></u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net change in fund balance - governmental fund **\$ 156,692**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (1,496)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in unavailable revenue 6,283

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term debt liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year these amounts consist of:

Debt principal maturity	\$	66,608	
Maturity of other obligations		48,900	
			115,508

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported in governmental funds. These activities consist of:

(Increase) in accrued interest payable (2,690)

Change in net position of governmental activities **\$ 274,297**

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	Business-type Activities <u>Parking System</u>
ASSETS	
Current assets	
Cash	\$ 2,451,723
Accounts receivable	30,240
Due from other funds	4,151
Note receivable	<u>308,025</u>
Total current assets	<u>2,794,139</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>172,748</u>
TOTAL ASSETS	<u>2,966,887</u>
LIABILITIES	
Current liabilities	
Accounts payable	169,819
Due to other governmental units	1,087,777
Unearned revenue	<u>45,762</u>
TOTAL LIABILITIES	<u>1,303,358</u>
NET POSITION	
Investment in capital assets	172,748
Unrestricted	<u>1,490,781</u>
TOTAL NET POSITION	<u><u>\$ 1,663,529</u></u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2022**

	<u>Business-type Activities Parking System</u>
OPERATING REVENUES	
Charges for services	<u>\$ 1,647,617</u>
OPERATING EXPENSES	
Operation and maintenance	2,091,654
Depreciation	<u>33,935</u>
TOTAL OPERATING EXPENSES	<u>2,125,589</u>
OPERATING (LOSS)	<u>(477,972)</u>
NONOPERATING REVENUES	
Interest revenue	<u>17,883</u>
CHANGE IN NET POSITION	(460,089)
Restated net position, beginning of year	<u>2,123,618</u>
Net position, end of year	<u><u>\$ 1,663,529</u></u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

	Business-type Activities <u>Parking System</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,699,416
Cash paid to suppliers	<u>(2,043,021)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(343,605)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash received from other governmental units	1,087,777
Cash paid to other funds	(4,151)
Cash received on note receivable	<u>235,316</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>1,318,942</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>17,883</u>
NET INCREASE IN CASH DURING YEAR	993,220
Cash, beginning of year	<u>1,458,503</u>
Cash end of year	<u><u>\$ 2,451,723</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (477,972)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	33,935
Decrease in:	
Receivables	9,909
Increase (decrease) in:	
Accounts payable	58,328
Other payables	(9,695)
Unearned revenues	<u>41,890</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (343,605)</u></u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Kalamazoo (the City) established the Downtown Development Authority (the Authority) on March 1, 1982. Its purpose is to stimulate public and private investment in downtown Kalamazoo and act as the catalyst for joint public and private action to bring about economic growth and physical development in the downtown area. The governing body of the Authority is a Board of Directors consisting of the mayor of the City and eight other members.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the City of Kalamazoo Downtown Development Authority. The Authority is considered a component unit of the City of Kalamazoo, Michigan, and is discretely presented in the City of Kalamazoo's (the primary government) financial statements. A copy of the City's audited financial statements may be obtained at the Kalamazoo City Hall.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) report information for the government as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and property taxes and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Authority's individual major funds. Separate financial statements are provided for governmental funds and proprietary funds. The major individual governmental fund and major individual enterprise fund are reported as separate columns in the fund financial statements.

The Authority reports the following *major governmental fund*:

- a. The *General Fund* is used to account for all financial resources of the Authority which are restricted to expenditures for downtown development purposes.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

The Authority reports the following *major enterprise fund*:

- a. The *Parking System Fund* accounts for resources generated by providing parking services throughout the City; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes.

The government-wide and proprietary fund financial statements are prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received.

Governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Budgets and Budgetary Accounting

The budget shown in the financial statements was prepared on a basis not significantly different than the basis used to reflect actual results.

The Authority follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to January 1, the budget is legally adopted at the total expenditure level through passage of a Board resolution. After the budget is adopted any revisions that alter the total expenditures of the fund must be approved by the Board before the end of the fiscal year.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Board does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Board during the year. Individual amendments were appropriately approved by the Board as required.

Cash

Cash consists of the Authority's cash on hand, demand deposits, and short-term investments with an original maturity date of three months or less.

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services, and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash (continued)

- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Receivables

Receivables consist of amounts due from other governmental units for various programs and accounts receivable for charges for services to other individuals and organizations.

Capital Assets

Capital assets are recorded, net of accumulated depreciation, in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 15 years
Machinery and equipment	5 - 10 years
Intangible assets	3 - 5 years

Unearned Revenue

Unearned revenue consists of amounts received in advance of services provided.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 and will not be recognized as an outflow of resources (expense) until then.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the balance sheet and statement of net position 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/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority reports deferred inflows of resources on the balance sheet in connection with unavailable revenues for property taxes that are not considered available to liquidate liabilities of the current period. The amount is deferred and recognized as an inflow of resources in the period the amounts become available.

Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statement when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fund Balance Classification Policies and Procedures

For committed fund balance, the Authority's highest level of decision-making authority is the Authority Board of Directors. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution of the Authority Board of Directors.

For assigned fund balance, the Authority Board of Director is authorized to assign amounts to a specific purpose. The authorization policy is a full vote and approval by the Authority Board of Directors.

For the classification of fund balance amounts, the Authority's policy is to spend restricted amounts first, then unrestricted amounts when both restricted and unrestricted amounts are available. Similarly, the Authority's policy is to spend committed amounts first, then assigned amounts, and finally unassigned amounts when any of those unrestricted fund balance classifications could be used.

Property Taxes

Property taxes are levied on July 1 (lien date) on the taxable value of property as of the preceding December 31 and are payable without penalty through August 14. After August 14, unpaid property taxes are considered past due, and the applicable property is subject to lien. The City acts as the collecting agent for the Authority. The Authority is permitted by P.A. 197 of Michigan to levy taxes up to \$2.00 per \$1,000 of assessed valuation of property in the downtown district. The Authority's current year tax rate was \$1.9638 per \$1,000 of assessed valuation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS

As of December 31, 2022, the Authority had deposits subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2022, the \$1,747,848 of the Authority's bank balance of \$2,728,880 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$2,734,167.

The cash balances reported in the basic financial statements include \$2,588 in imprest cash and \$248,634 in cash that is on deposit with the City of Kalamazoo. The cash on deposit with the City of Kalamazoo is part of the pooled cash and investments. As a result, the insured and uninsured amounts related to these amounts cannot be determined.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS (continued)

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of December 31, 2022, the Authority did not have any investments that would be subject to rating.

Interest Rate Risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by security type and institution.

Foreign Currency Risk

The Authority is not authorized to invest in investments which have this type of risk.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at December 31, 2022:

Due to Parking System Fund from:	
General Fund	\$ 4,151

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE 4 - NOTE RECEIVABLE

On April 17, 2017, the City of Kalamazoo sold Parking Ramp No. 4 for the purchase price of \$3,000,000, of which \$1,500,000 was paid in cash to the City and a \$1,500,000 note receivable was issued to the Authority. The note is due in monthly installments of \$25,000, with interest at 4.5%, with the balance due by December 31, 2023.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Restated Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets being depreciated				
Land improvements	201,517	-	-	201,517
Machinery and equipment	9,206	-	-	9,206
Subtotal	210,723	-	-	210,723
Less accumulated depreciation for:				
Land improvements	(200,021)	(1,496)	-	(201,517)
Machinery and equipment	(9,206)	-	-	(9,206)
Subtotal	(209,227)	(1,496)	-	(210,723)
Net capital assets being depreciated	1,496	(1,496)	-	-
Total net capital assets	<u>\$ 59,658</u>	<u>\$ (1,496)</u>	<u>\$ -</u>	<u>\$ 58,162</u>
Business-type activities				
Capital assets being depreciated				
Land improvements	\$ 721,103	\$ -	\$ -	\$ 721,103
Machinery and equipment	545,337	-	-	545,337
Intangible assets	75,283	-	-	75,283
Subtotal	1,341,723	-	-	1,341,723
Less accumulated depreciation for:				
Land improvements	(520,847)	(31,997)	-	(552,844)
Machinery and equipment	(539,830)	(1,618)	-	(541,448)
Intangible assets	(74,363)	(320)	-	(74,683)
Subtotal	(1,135,040)	(33,935)	-	(1,168,975)
Total net capital assets	<u>\$ 206,683</u>	<u>\$ (33,935)</u>	<u>\$ -</u>	<u>\$ 172,748</u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Authority for the year ended December 31, 2022:

	Restated Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022	Amounts Due Within One Year
Governmental activities					
Direct borrowings/placements					
Note payable - related tax liability	\$ 199,824	\$ -	\$ (66,608)	\$ 133,216	\$ 66,608
Developer payable - TIF agreement	299,000	-	(23,000)	276,000	23,000
Developer payable - grants	336,700	-	(25,900)	310,800	25,900
Note payable - Arcadia Creek	403,052	-	-	403,052	133,169
TOTAL	<u>\$ 1,238,576</u>	<u>\$ -</u>	<u>\$ (115,508)</u>	<u>\$ 1,123,068</u>	<u>\$ 248,677</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Notes Payable

\$666,080 Note payable to the City of Kalamazoo for the purpose of financing tax tribunal settlements, dated July 2014, due in annual installments of \$66,608 through July 2024, with interest of 2.59%, payable annually. \$ 133,216

\$518,000 Note payable to the Kalamazoo Community Foundation for the purpose of financing festival site developments, dated 2018, due in annual installments ranging from \$133,169 to \$135,528 with interest of 1.5%, payable annually. 403,052

\$ 536,268

Agreements Payable

\$460,000 Agreement payable to Metropolitan Center, LLC for the purpose of reimbursing development expenses, dated 2014, due in annual installments of \$23,000 with no interest. 276,000

\$518,000 Agreement payable to Metropolitan Center, LLC for the purpose of financing grant financing façade improvements, building rehabilitation, and design, dated 2010, due in annual installments of \$25,900 with no interest. 310,800

\$ 586,800

The Authority's outstanding note to the Kalamazoo Community Foundation is secured by the Arcadia Festival site, owned by the City of Kalamazoo. The remaining debts are direct obligations to the Authority. In the event of default, the outstanding amount may become immediately due.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to pay the debt principal and interest outstanding for the note payable is as follows:

Year Ending December 31,	Direct Borrowing/Placements	
	Note Payable	
	Principal	Interest
2023	\$ 248,677	\$ 13,439
2024	249,863	12,254
2025	184,428	1,228
2026	48,900	-
2027	48,900	-
2028-2032	244,500	-
2033-2034	97,800	-
	<u>\$ 1,123,068</u>	<u>\$ 26,921</u>

NOTE 7 - PARKING SYSTEM AGREEMENT

On April 20, 1989, the DDA entered into an agreement with the City to operate the Parking System, which was reinstated by agreement dated December 6, 2002. Terms of the restated agreement require the DDA to operate and maintain the Parking System, make annual payments of \$1, and fund the City's annual debt obligations on the Parking System. The term of the agreement extends through the life of the outstanding bonds, effectively 2029. However, either party may terminate the agreement at any time upon one year's written notice to the other party. The annual payments to the City totaled \$876,882 for the year ended December 31, 2022.

NOTE 8 - RISK MANAGEMENT

The Authority, as a component unit of the City of Kalamazoo, is protected from losses as described in the note captioned "Risk Management" within the City's Annual Financial Report.

NOTE 9 - NET POSITION AND FUND BALANCE DEFICITS

At the end of the year, the Authority's governmental activities reported deficits of \$1,831,287 and \$1,773,125 for unrestricted net position and total net position, respectively. At the end of the year the Authority's General Fund also reported a deficit fund balance (unassigned) of \$733,373.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

Beginning net position/fund balance for governmental activities, business-type activities, the General Fund, and the Parking System Fund have been adjusted for the correction of errors in the prior year and to reclassify the activities of the Parking System which were previously reported as part of the General Fund and governmental activities.

	Governmental Activities	Business-type Activities and Parking System Fund	General Fund
Beginning net position/fund balance from PY FS	\$ 1,432,402	\$ -	\$ 1,743,616
Cash	(1,458,503)	1,458,503	(1,458,503)
Parking receivables	(40,149)	40,149	(40,149)
Notes receivable	(543,341)	543,341	(543,341)
Accounts payable	121,186	(121,186)	121,186
Unearned revenues	3,872	(3,872)	3,872
Capital assets, net	(206,683)	206,683	-
Deferred inflows of resources	-	-	466,854
Advance from other governmental units	-	-	(459,000)
Due to other governmental units	-	-	(333,040)
Note payable	(403,052)	-	-
Due to developers	(978,000)	-	(342,300)
Accrued interest payable	24,846	-	(49,260)
Beginning net position/fund balance, as restated	<u>\$ (2,047,422)</u>	<u>\$ 2,123,618</u>	<u>\$ (890,065)</u>

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Authority implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the Authority's financial statements after the adoption of GASB Statement No. 87.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 12 - NON-PAYMENT OF SCHEDULED PAYMENTS

The Authority did not make the following scheduled payments. Therefore, these amounts are reported on the balance sheet as a current liability as of December 31, 2022:

Note Payable

Related Tax Liability - Principal payments of \$399,648 and interest payment of \$59,112 on the note payable, which were originally due annually on July 1, 2017 through 2022. The missed principal and interest payments amount to \$458,760 and are reported as due to other governmental units on the General Fund balance sheet. The Authority is in negotiations with the City of Kalamazoo to restructure the payment terms and the City has not taken any legal action or assessed penalties due to the missed payments.

Developer Payables

TIF Agreement - Payments of \$184,000 on the developer agreement, which were due annually on October 27, 2015 through 2022. The missed payments under the developer agreement amount to \$184,000 and are reported as due to developers on the General Fund balance sheet.

Grant Agreement - Payments of \$207,200 on the grant agreement, which were due annually on October 27, 2015 through 2022. The missed payments under the grant agreement amount to \$207,200 and are reported in the due to developers on the General Fund balance sheet.

The developer payables were originally entered into in November 2010 with the intent to finance the payments through tax revenues under its Tax Increment Financing Plan. The Authority no longer captures TIF revenues and is in negotiations to restructure this agreement. As of the date of this report, no settlement agreement has been reached.

The non-payment of scheduled payments is disclosed here to provide transparency and ensure the users of the financial statements are aware of the current financial position and the corresponding impacts on the General Fund. It is important to note that the resolution of these outstanding liabilities may have a significant impact on the Authority's financial position and liquidity in future periods.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The 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; (2) establishes 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. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

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. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 276,000	\$ 276,000	\$ 276,450	\$ 450
Intergovernmental	-	-	59,210	59,210
Interest	1,000	1,000	207	(793)
Other	-	-	1,577	1,577
TOTAL REVENUES	277,000	277,000	337,444	60,444
EXPENDITURES				
Current				
Public works				
Repairs and maintenance	47,000	47,000	12,320	34,680
Community and economic development				
Contractual and other services	80,000	80,000	91,972	(11,972)
Debt service	150,000	150,000	76,460	73,540
TOTAL EXPENDITURES	277,000	277,000	180,752	96,248
EXCESS OF REVENUES OVER EXPENDITURES	-	-	156,692	156,692
Restated fund balance, beginning of year	320,022	320,022	320,022	-
Prior period adjustment	(1,210,087)	(1,210,087)	(1,210,087)	-
Fund balance, end of year	<u>\$ (890,065)</u>	<u>\$ (890,065)</u>	<u>\$ (733,373)</u>	<u>\$ 156,692</u>



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

Board of Directors of the City of Kalamazoo
Downtown Development Authority
Kalamazoo, 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, the business-type activities, and each major fund of the City of Kalamazoo Downtown Development Authority (the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 29, 2023.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

PRIOR PERIOD ADJUSTMENT AND MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly record amounts due to other governmental units and beginning equity were proposed by the auditors. These misstatements were not detected by the Authority's internal control over financial reporting. In addition, as a result of these misstatements, previously issued financial statements were materially misstated.

These entries were brought to the attention of management and were subsequently recorded in the Authority's general ledger.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), and the notes to the financial statements, including the recording of all appropriate journal entries so that the trial balances, from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: Internal controls did not detect all adjustments necessary to properly record year-end balances in the current and prior year.

Effect: The Authority's financial reports and prior year financial statements contained material misstatements that were not otherwise identified by management. Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the Authority take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: Management concurs with this finding. 2022 posed challenges in the transition away from the Authority's long-time service organization. We believe that procedures have been implemented to improve the tracking and monitoring of this error.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 the following instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

FUND EQUITY DEFICIT

Condition: At the end of the fiscal year, the Authority reported a deficit fund balance for the General Fund.

Criteria: Michigan Public Act 275 of 1980 provides that the Authority shall not end the year in a deficit position. Michigan Public Act 140 of 1971 provides that an Authority ending its fiscal year with funds in a deficit condition shall formulate a deficit elimination plan.

Cause: The Authority has not generated revenue sufficient to cover all expenses/expenditures (including debt service).

FUND EQUITY DEFICIT (continued)

Effect: The Authority is not in compliance with Public Act 275 of 1980. As a result, the Authority will be required to prepare and submit a Deficit Elimination Plan to the State of Michigan.

Recommendation: We recommend that the Authority utilize budgetary controls to limit expenditures and/or negotiate refinancing terms with the City of Kalamazoo as needed to alleviate the General Fund deficit.

Corrective Action Response: Management agrees with the finding and will be filling a deficit elimination plan with the State noting future actions to be taken to remedy the situation.

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 results 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.

Maney Costeiran PC

June 29, 2023



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June 29, 2023

Board of Directors of the
City of Kalamazoo Downtown Development Authority
Kalamazoo, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Kalamazoo Downtown Development Authority (the Authority) a component unit of the City of Kalamazoo, Michigan, for the year ended December 31, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, and *Government Auditing Standards*, 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 April 4, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Kalamazoo Downtown Development Authority are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, during the year ended December 31, 2022. 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 affecting the Authority's governmental activities, business-type activities, and Parking System Fund financial statements was:

Management's calculation of depreciation expense for the current period is based on an estimate of the useful lives of the capital assets. We evaluated the key factors and assumptions used to develop the useful lives for the capital assets in determining that they are 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. Material journal entries for the proper recognition of amounts due to other governmental units and beginning equity were proposed by the auditors.

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 June 29, 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 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 and analysis and budgetary comparison schedule, which are required supplementary information (RSI) that supplement 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 use of the Board of Directors and management of the City of Kalamazoo Downtown Development Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maney Costeiran PC

**TERMINATION OF RESTATED CONTRACT OF SUBLEASE FOR CITY OF
KALAMAZOO PARKING SYSTEM**

This Termination of Restated Contract of Sublease for City of Kalamazoo Parking System (the “Agreement”) dated as of _____, 2023, is by and between the City of Kalamazoo, a Michigan municipal corporation (the “City”), the Kalamazoo Building Authority, a Michigan public corporation (the “Building Authority”), and the Downtown Development Authority of the City of Kalamazoo (the “DDA”).

RECITALS

A. The DDA was created by the City of Kalamazoo City Commission and operates pursuant to the authority of Act 197 of 1975, as recodified in Act 57 of 2018.

B. On December 6, 2002, the DDA, the City, and the Building Authority (jointly, the “Parties”) entered into a Restated Contract of Sublease for the City of Kalamazoo Parking System, whereby the DDA undertook the responsibility for the operation and maintenance of the City of Kalamazoo Parking System (the “System”), and which Restated Contract of Sublease from time to time underwent a series of amendments, on July 23, 2003, October 30, 2003, January 30, 2006, June 30, 2006, May 7, 2013, December 21, 2015, July 19, 2017, and July 18, 2018 (together, the “Sublease”).

C. The City has financed the acquisition and construction of certain improvements to the System and equipment during the term of the Sublease and there is debt outstanding partially attributable to such improvements and equipment: (1) \$8,620,000 Limited Tax General Obligation Refunding Bonds, Series 2015B (Taxable); \$5,580,000 2016 Capital Improvement and Refunding Bonds (Limited Tax General Obligation); and \$7,985,000 2017 Capital Improvement Bonds (Limited Tax General Obligation) (collectively, the “Bonds”). The City will remain responsible for the Bonds.

D. In 2014, the DDA entered a parking system management contract with ABM, also known as Central City Parking, and, in 2022, the DDA entered a parking validation agreement with Lormax Stern.

E. The Parties agree that in light of organizational and structural changes affecting the management of the DDA, and the DDA’s desire to focus on other economic development efforts within its district, as well as the completion of a system-wide parking study in 2017, the City is appropriately positioned to re-assume all of the rights and responsibilities of the System, including any debts, obligations, and contracts related thereto, whether named specifically herein or not, as well as the implementation of the study.

F. The Parties are willing to waive the notice periods required by the Sublease prior to its termination in order to promptly and efficiently transfer the System and now desire to terminate the Sublease on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the facts, promises, and agreements set forth herein and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

1. Termination of Sublease. The Parties agree that the Sublease is and shall be terminated and canceled and shall be deemed null and void and of no further force and effect, notwithstanding its terms and notwithstanding any notice requirements, effective as of [REDACTED], 2023 (“Effective Date”).

2. Mutual Release. As of the Effective Date, the Parties release each other from any and all obligations in, by, and under the Sublease.

3. Representations and Warranties. Each of the Parties hereby represents and warrants that this Agreement has been duly authorized, executed and delivered so as to constitute the legal, valid, and binding obligation of each of them, enforceable in accordance with its terms.

4. Counterparts. This Agreement may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

5. Governing Law. This Agreement shall be governed by and construed according to the laws of Michigan.

6. Captions. The captions in this Agreement are inserted only as a matter of convenience and reference and in no way define, limit or describe the scope or intent of this Agreement.

7. Entire Agreement; Modifications in Writing. All previous negotiations had between the Parties and/or their agents with respect to the subject matter hereof are merged herein. This Agreement alone fully and completely expresses the Parties’ rights and obligations. This Agreement shall not be modified in any manner except by an instrument in writing executed by the Parties or their respective successors in interest.

8. Severability. Should it be found that any part of this Agreement is illegal or unenforceable, such part or parts shall be of no force or effect and this Agreement shall be treated as if such part or parts had not been inserted.

9. Counterparts/Electronic Signatures. The Parties agree that separate counterparts of this Agreement may be signed and together shall constitute one Agreement. Signatures which are delivered to either party by facsimile or other electronic transmission shall be considered originals and are enforceable as originals.

10. Execution of Additional Documents. The Parties agree to make, execute, acknowledge, and deliver such other instruments and documents, and take all such other actions as may be reasonably required, in order to effectuate the purposes of this Agreement.

11. Recitals. The Parties agree that the facts set forth in the Recitals of this Agreement are a part of this Agreement as if such Recitals were restated in the body of this Agreement.

[Signatures on Following Page]

*SIGNATURE PAGE FOR TERMINATION OF RESTATED CONTRACT OF SUBLEASE FOR
CITY OF KALAMAZOO PARKING SYSTEM*

City of Kalamazoo

By: _____, its Mayor
Dated: _____

City of Kalamazoo Building Authority

By: _____, its Chairperson
Dated: _____

City of Kalamazoo Downtown Development Authority

By: _____, its Chair
Dated: _____