

Agenda

Downtown Development Authority

Board of Directors



City of Kalamazoo

Monday, August 19, 2024

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 June 17, 2024. (**Action: Motion to approve**)

D. REPORTS AND PRESENTATIONS

1. Acceptance of the Annual Audit by Aaron Stevens of Maner Costerisan, the DDA and DEGA's External Auditor. (**Action: Accept the DDA Audit as Presented**)
2. Financial Report - Steve Vicenzi, City of Kalamazoo CFO (**Action: Motion to Accept the Financial Report**)
3. 2025 Financial Presentation: Draft Budget - Steve Vicenzi, City of Kalamazoo CFO

E. DISCUSSION/ACTION ITEMS

1. Discussion of Portland Loo Public Restroom Installation - Request for 2025 Maintenance Budget

F. PUBLIC COMMENTS

G. DIRECTOR COMMENTS

H. ADJOURNMENT

Board of Directors Regular Meeting Minutes

June 17, 2024, 3 p.m. | Community Planning & Economic Development, 245 N Rose Street

PRESENT: Mayor David Anderson, Curt Aardema, Stephanie Hinman, Susan Lindemann, Clarence Lloyd, Jessica Thompson, Matt Hollander

ABSENT: Jeff Breneman, Kwame Gyimah

STAFF: Paul Thuringer, Meghan Behymer, Erin Hahn

OTHER: Steve Glista

A. CALL TO ORDER

DIRECTOR LINDEMANN CALLED THE MEETING TO ORDER AT 4:06 P.M.

PRESENT: Mayor David Anderson
Curt Aardema
Stephanie Hinman
Susan Lindemann
Clarence Lloyd
Jessica Thompson
Matt Hollander

ABSENT: Jeff Breneman
Kwame Gyimah

EXCUSED:

THE JUNE 17, 2024, ATTENDANCE INCLUDING EXCUSED AND UNEXCUSED ABSENCES ARE RECORDED.

B. ADOPTION OF FORMAL AGENDA

DIRECTOR LLOYD MOVED TO ADOPT THE JUNE 17, 2024 AGENDA AS AMENDED. MAYOR ANDERSON SECONDED. NO OBJECTIONS. MOTION CARRIED.

C. APPROVAL OF MINUTES

DIRECTOR HINMAN MOVED TO APPROVE THE MAY 20, 2024 MINUTES. DIRECTOR THOMPSON SECONDED. NO OBJECTIONS. MOTION CARRIED.

D. REPORTS AND PRESENTATIONS

Board of Directors Regular Meeting Minutes

June 17, 2024, 3 p.m. | Community Planning & Economic Development, 245 N Rose Street

1. Financial Report

Mr. Vicenzi was not present to present the financial report. The Directors looked over the financial report as a group.

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

E. DISCUSSION/ACTION ITEMS

1. SALE OF PROPOSED EVENT CENTER

Steve Glista stated that the purchasing agreement for the event center is ready to be finalized and signed by Director Lindemann.

MAYOR ANDERSON MOTIONED TO ADOPT THE APPROVAL OF THE SALE OF PROPERTY AND EXECUTION OF THE REAL ESTATE SALES AGREEMENT FOR THE PURCHASE OF ARCADIA CREEK PARCELS. DIRECTOR HOLLANDER SECONDED. NO OBJECTIONS. MOTION CARRIED.

F. PUBLIC COMMENTS

1. There were no members of the public present.

G. DIRECTOR COMMENTS

1. Director Aardema stated that he was not able to attend last meeting because he was at International Council of Shopping Centers, where he took notes from the DDA's perspective.
2. Director Lloyd informed the group that Downtown Kalamazoo's Restaurant Week will be held from July 18 through July 28, 2024.
3. Director Hollander stated that during his travels, he often interacts with other members of DDAs, and recommended other members of the group to do more best practices research in-person when possible.
4. Director Lindemann reminded the group that there will be no July meeting, but committees will still meet. The next group meeting will be on August 19, 2024.

H. ADJOURNMENT

1. **DIRECTOR LINDEMANN ADJOURNED THE MEETING AT 4:18 P.M.**

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

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

YEAR ENDED DECEMBER 31, 2023



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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, 2023, 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, 2023, 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, 2023, 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 25, 2024 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 25, 2024

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

This discussion and analysis of financial performance provides an overview and analysis of the City of Kalamazoo Downtown Development Authority's (the Authority) financial activities for the year ended December 31, 2023. 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 the year ended December 31, 2023:

A. Government-wide

- Liabilities of the Authority exceeded its assets at the close of 2023 by \$1,691,957.
- Governmental activities net position (deficit) was (\$1,691,957).
- Business-type activities net position was \$0 as the Authority transferred the Parking System to the City of Kalamazoo effective August 31, 2023.

B. Fund Level

- The General Fund fund deficit increased by \$219,322 to (\$952,695).
- The Parking System Fund net position decreased by \$1,663,529 to \$0 as these activities were transferred to the City of Kalamazoo as noted above.

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, 2022, and December 31, 2023. The parking system was included in the business-type activities of the Authority through August 31, 2023, when the operations were transferred to the City of Kalamazoo, reducing the net position to \$0 at December 31, 2023.

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
ASSETS						
Current and other assets	\$ 627,701	\$ 679,989	\$ 2,794,139	\$ -	\$ 3,421,840	\$ 679,989
Capital assets	58,162	109,012	172,748	-	230,910	109,012
TOTAL ASSETS	685,863	789,001	2,966,887	-	3,652,750	789,001
LIABILITIES						
Current liabilities	1,125,597	1,397,430	1,303,358	-	2,428,955	1,397,430
Noncurrent liabilities	1,333,391	1,083,528	-	-	1,333,391	1,083,528
TOTAL LIABILITIES	2,458,988	2,480,958	1,303,358	-	3,762,346	2,480,958
NET POSITION						
Investment in capital assets	58,162	109,012	172,748	-	230,910	109,012
Unrestricted	(1,831,287)	(1,800,969)	1,490,781	-	(340,506)	(1,800,969)
TOTAL NET POSITION	\$ (1,773,125)	\$ (1,691,957)	\$ 1,663,529	\$ -	\$ (109,596)	\$ (1,691,957)

The following table shows the changes in net position during the previous and current year. The parking system was transferred to the City of Kalamazoo effective August 31, 2023, reducing overall net position by \$1,663,529.

	Governmental Activities		Business-type Activities		Total	
	2022	2023	2022	2023	2022	2023
REVENUE						
Program revenue						
Charges for services	\$ -	\$ -	\$ 1,647,617	\$ 1,154,520	\$ 1,647,617	\$ 1,154,520
Operating grants and contributions	59,210	59,210	-	-	59,210	59,210
General revenue						
Property taxes	282,733	272,830	-	-	282,733	272,830
Interest	207	301	17,883	15,580	18,090	15,881
Miscellaneous	1,577	-	-	-	1,577	-
TOTAL REVENUE	343,727	332,341	1,665,500	1,170,100	2,009,227	1,502,441
EXPENSES						
Public works	12,320	58,458	-	-	12,320	58,458
Community and economic development	44,568	131,265	-	-	44,568	131,265
Parking system	-	-	2,125,589	1,064,760	2,125,589	1,064,760
Interest on long-term debt	12,542	61,450	-	-	12,542	61,450
TOTAL EXPENSES	69,430	251,173	2,125,589	1,064,760	2,195,019	1,315,933
SPECIAL ITEM	-	-	-	(1,768,869)	-	(1,768,869)
Change in Net Position	\$ 274,297	\$ 81,168	\$ (460,089)	\$ (1,663,529)	\$ (185,792)	\$ (1,582,361)

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

Governmental Activities

The Authority's governmental activity revenues totaled \$332,341 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 \$251,173 during the fiscal year, with the largest expenses being community and economic development (\$131,265). Operating expenses increased \$181,743, or 262%, from the prior year due to increased management services for operations and increased maintenance of the downtown.

Business-type Activities

The Authority's business-type activities comprised of the parking system for the downtown area of the City of Kalamazoo and operated under a mutual service agreement between the City of Kalamazoo and the City of Kalamazoo Building Authority. The operations of the parking system were transferred to the City of Kalamazoo effective August 31, 2023. Activity of the parking system through the transfer date are included in the business-type activities.

The Authority's business-type activity revenues totaled \$1,170,100 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 \$1,064,760 during the fiscal year for the operation and maintenance of the parking system up to August 31, 2023. After this date the activities of the parking system were transferred to the City of Kalamazoo, resulting in a special item transfer out of net position of \$1,768,869.

Governmental Fund Financial Statements

The General Fund is the chief operating fund of the Authority. During the year, the fund deficit increased \$219,322 to (\$952,695), which represents (173%) of annual expenditures. Total revenues decreased by \$5,177, or approximately 2%, from the prior year. Total expenditures increased by \$370,837, or approximately 205% over the prior year, due to increases related to debt service and community and economic development.

Enterprise Fund Statements

The Parking System Fund accounted 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 \$335,210, with actual revenues less than that amount by \$2,943 due to property tax collections. The General Fund of the Authority budgeted for expenditures in the amount of \$597,117, with actual expenditures being less than that amount at \$551,589. Actual expenditures came in \$45,528 under the budgeted appropriations, primarily due to less maintenance and repairs than anticipated.

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

Capital Asset Administration

At December 31, 2023, the Authority had invested \$109,012, net of accumulated depreciation, in capital assets. During the year the Authority recognized \$56,500 in land improvements related to governmental activities. The Authority also recognized \$5,650 and \$22,626 for depreciation expense for governmental and business-type activities, respectively. The Authority transferred the capital assets of the Parking System Fund to the City of Kalamazoo. See Note 3 to the financial statements for additional information related to capital assets.

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, 2023, the outstanding principal on the notes and agreements totaled \$874,391. 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. 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 4 to the financial statements for additional information related to long-term obligations and Note 9 for subsequent events associated with the long-term obligations.

Economic Factors and Next Year's Budgets

Future tax revenues are projected to remain stable while property values continue to increase. However, most of the district falls within the Downtown Economic Growth Authority (DEGA) boundaries, which means the majority of increased tax revenue will be captured by DEGA. To enhance its financial impact, the Authority plans to diversify and increase 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, 2023**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash	\$ 644,070	\$ -	\$ 644,070
Receivables	35,919	-	35,919
Total current assets	679,989	-	679,989
Noncurrent assets			
Capital assets not being depreciated	58,162	-	58,162
Capital assets, net of accumulated depreciation	50,850	-	50,850
Total noncurrent assets	109,012	-	109,012
TOTAL ASSETS	789,001	-	789,001
LIABILITIES			
Current liabilities			
Accounts payable	13,414	-	13,414
Accrued interest payable	6,727	-	6,727
Due to developers	440,100	-	440,100
Due to other governmental units	687,326	-	687,326
Current portion of notes and agreements payable	249,863	-	249,863
Total current liabilities	1,397,430	-	1,397,430
Noncurrent liabilities			
Advance from other governmental units	459,000	-	459,000
Noncurrent portion of notes and agreements payable	624,528	-	624,528
Total noncurrent liabilities	1,083,528	-	1,083,528
TOTAL LIABILITIES	2,480,958	-	2,480,958
NET POSITION (DEFICIT)			
Investment in capital assets	109,012	-	109,012
Unrestricted	(1,800,969)	-	(1,800,969)
TOTAL NET POSITION (DEFICIT)	\$ (1,691,957)	\$ -	\$ (1,691,957)

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

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	\$ 58,458	\$ -	\$ -	\$ (58,458)	\$ -	\$ (58,458)
Community and economic development	131,265	-	59,210	(72,055)	-	(72,055)
Interest on long-term debt	61,450	-	-	(61,450)	-	(61,450)
Total governmental activities	251,173	-	59,210	(191,963)	-	(191,963)
Business-type activities						
Parking system	1,064,760	1,154,520	-	-	89,760	89,760
Total	<u>\$ 1,315,933</u>	<u>\$ 1,154,520</u>	<u>\$ 59,210</u>	<u>(191,963)</u>	<u>89,760</u>	<u>(102,203)</u>
General revenues						
Property taxes				272,830	-	272,830
Interest				301	15,580	15,881
Special item - transfer of net position				-	(1,768,869)	(1,768,869)
Total general revenues and special item				273,131	(1,753,289)	(1,480,158)
Change in net position				81,168	(1,663,529)	(1,582,361)
Net position (deficit), beginning of year				(1,773,125)	1,663,529	(109,596)
Net position (deficit), end of year				<u>\$ (1,691,957)</u>	<u>\$ -</u>	<u>\$ (1,691,957)</u>

See accompanying notes to financial statements.

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2023**

	<u>General Fund</u>
ASSETS	
Cash	\$ 644,070
Receivables	
Accounts	26,487
Taxes	<u>9,432</u>
TOTAL ASSETS	<u>\$ 679,989</u>
LIABILITIES	
Accounts payable	\$ 13,414
Due to developers	440,100
Due to other governmental units	687,326
Advance from other governmental units	<u>459,000</u>
TOTAL LIABILITIES	<u>1,599,840</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	<u>32,844</u>
FUND BALANCE (DEFICIT)	
Unassigned	<u>(952,695)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (DEFICIT)	<u>\$ 679,989</u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Fund balance (deficit) - governmental fund	\$ (952,695)
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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	\$ 325,385	
Accumulated depreciation is	<u>(216,373)</u>	
Capital assets, net		109,012

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

Unavailable revenue	32,844
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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	(336,491)	
Developer agreements payable	(537,900)	
Accrued interest payable	<u>(6,727)</u>	
		<u>(881,118)</u>

Net position (deficit) of governmental activities	\$ <u>(1,691,957)</u>
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**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023**

	<u>General Fund</u>
REVENUES	
Property taxes	\$ 272,756
Intergovernmental	59,210
Interest	<u>301</u>
TOTAL REVENUES	<u>332,267</u>
EXPENDITURES	
Current	
Public works	114,958
Community and economic development	174,515
Debt service	<u>262,116</u>
TOTAL EXPENDITURES	<u>551,589</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(219,322)
Fund balance (deficit), beginning of year	<u>(733,373)</u>
Fund balance (deficit), end of year	<u><u>\$ (952,695)</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, 2023**

Net change in fund balance - governmental fund \$ (219,322)

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

Capital outlays are reported as expenditures in the 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:

Capital outlay	\$	56,500	
Depreciation expense		<u>(5,650)</u>	
Excess of capital outlay over depreciation expense			50,850

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	74
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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	199,777		
Maturity of other obligations		<u>48,900</u>	
			248,677

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:

Decrease in accrued interest payable	<u>889</u>
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Change in net position of governmental activities	<u><u>\$ 81,168</u></u>
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CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROPRIETARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Business-type Activities Parking System
ASSETS	\$ -
LIABILITIES	-
NET POSITION	\$ -

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	<u>Business-type Activities Parking System</u>
OPERATING REVENUES	
Charges for services	<u>\$ 1,154,520</u>
OPERATING EXPENSES	
Operation and maintenance	1,042,134
Depreciation	<u>22,626</u>
TOTAL OPERATING EXPENSES	<u>1,064,760</u>
OPERATING INCOME	<u>89,760</u>
NONOPERATING REVENUES	
Interest revenue	<u>15,580</u>
NET INCOME BEFORE SPECIAL ITEM	105,340
SPECIAL ITEM	
Transfer of net position to the City of Kalamazoo	<u>(1,768,869)</u>
CHANGE IN NET POSITION	(1,663,529)
Net position, beginning of year	<u>1,663,529</u>
Net position, end of year	<u><u>\$ -</u></u>

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
PROPRIETARY FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023**

	<u>Business-type Activities Parking System</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 1,143,149
Cash paid to suppliers	<u>(1,211,953)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>(68,804)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid to other governmental units	(1,087,777)
Cash received on note receivable	308,025
Cash transferred to City of Kalamazoo	<u>(1,618,747)</u>
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(2,398,499)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>15,580</u>
NET (DECREASE) IN CASH DURING YEAR	(2,451,723)
Cash, beginning of year	<u>2,451,723</u>
Cash end of year	<u><u>\$ -</u></u>
Reconciliation of operating income to net cash (used) by operating activities	
Operating income	\$ 89,760
Adjustments to reconcile operating income to net cash (used) by operating activities	
Depreciation	22,626
Decrease in:	
Receivables	30,240
Due from other funds	4,151
(Decrease) in:	
Accounts payable	(169,819)
Unearned revenues	<u>(45,762)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (68,804)</u></u>

Note: During the year, the Authority and the City of Kalamazoo agreed to terminate parking system agreement with an effective date of August 31, 2023. Capital assets with a net book value of \$150,122 were transferred to the City.

**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*:

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*:

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 demand deposits.

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 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

Due to Developers

Due to developers consist of amount due to developers related to principal payments that were due on long-term borrowings but remained unpaid.

Due to Other Governmental Units

Due to other governmental units consist of amount due to governmental units related to goods and services received as well as principal and interest payments that were due on long-term borrowings but remained unpaid.

Advance from Other Governmental Units

Long-term advances from the primary government are made to finance new activities and to finance capital acquisitions.

**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

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.

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.).

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

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

Fund Balance Classifications (continued)

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.

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.

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

NOTE 2 - DEPOSITS

As of December 31, 2023, 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.

The cash balances reported in the basic financial statement include \$644,070 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.

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, 2023, 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.

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance Jan. 1, 2023	Additions	Deletions	Balance Dec. 31, 2023
Governmental activities				
Capital assets not being depreciated				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets being depreciated				
Land improvements	201,517	56,500	-	258,017
Machinery and equipment	9,206	-	-	9,206
Subtotal	210,723	56,500	-	267,223
Less accumulated depreciation for:				
Land improvements	(201,517)	(5,650)	-	(207,167)
Machinery and equipment	(9,206)	-	-	(9,206)
Subtotal	(210,723)	(5,650)	-	(216,373)
Net capital assets being depreciated	-	50,850	-	50,850
Total net capital assets	\$ 58,162	\$ 50,850	\$ -	\$ 109,012
	Balance			Balance
	Jan. 1, 2023	Additions	Transfers	Dec. 31, 2023
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	(552,844)	(21,333)	574,177	-
Machinery and equipment	(541,448)	(1,080)	542,528	-
Intangible assets	(74,683)	(213)	74,896	-
Subtotal	(1,168,975)	(22,626)	1,191,601	-
Total net capital assets	\$ 172,748	\$ (22,626)	\$ (150,122)	\$ -

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

NOTE 4 - 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, 2023:

	Balance Jan. 1, 2023	Additions	Deletions	Balance Dec. 31, 2023	Amounts Due Within One Year
Governmental activities					
Direct borrowings/placements					
Note payable - related tax liability	\$ 133,216	\$ -	\$ (66,608)	\$ 66,608	\$ 66,608
Developer payable - TIF agreement	276,000	-	(23,000)	253,000	23,000
Developer payable - grants	310,800	-	(25,900)	284,900	25,900
Note payable - Arcadia Creek	403,052	-	(133,169)	269,883	134,355
TOTAL	<u>\$ 1,123,068</u>	<u>\$ -</u>	<u>\$ (248,677)</u>	<u>\$ 874,391</u>	<u>\$ 249,863</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 an annual installment of \$66,608 in July 2024, with interest of 2.59%. \$ 66,608

\$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 through March 2025, with interest of 1.5%, payable annually. 269,883

\$ 336,491

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. \$ 253,000

\$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. 284,900

\$ 537,900

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 4 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to pay the debt principal and interest outstanding for the notes and agreements payable are as follows:

Year Ending December 31,	Direct Borrowing/Placements	
	Principal	Interest
2024	\$ 249,863	\$ 12,254
2025	184,428	1,228
2026	48,900	-
2027	48,900	-
2028	48,900	-
2029-2033	244,500	-
2034	48,900	-
	<u>\$ 874,391</u>	<u>\$ 13,482</u>

NOTE 5 - PARKING SYSTEM AGREEMENT AND TRANSFER OF OPERATIONS

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 \$97,348 for the year ended December 31, 2023. During the year the Authority and the City agreed to terminate the agreement with an effective date of August 31, 2023. The remaining net position of the parking system, \$1,768,869, was transferred back to the City and reported as a special item.

NOTE 6 - 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 7 - NET POSITION AND FUND BALANCE DEFICITS

At the end of the year, the Authority's governmental activities reported deficits of \$1,800,969 and \$1,691,957 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 \$952,695.

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

NOTE 8 - 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, 2023:

Note Payable

Related Tax Liability - Principal payments of \$466,256 and interest payments of \$68,964 on the note payable, which were originally due annually on July 1, 2017 through 2023. The missed principal payments and interest payments amount to a total of \$535,220 and are reported as due to other governments in the General Fund balance sheet.

Arcadia Creek - Principal payments of \$133,169 and interest payments of \$3,587 on the note payable, which were originally due annually on March 1, 2023. The missed principal payments and interest payments amount to a total of \$136,756 and are reported as due to other governments in 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 \$207,000 on the developer agreement, which were originally due on October 27, 2015 through 2023. The missed payments under the developer agreement amount to \$207,000 and are reported as due to developers in the General Fund balance sheet.

Grant Agreement - Payments of \$233,100 on the Metropolitan Center grant agreement, which were originally due on October 27, 2015 through 2023. The missed payments under the grant agreement amount to \$233,100 and are reported as due to developers in the General Fund balance sheet.

The developer agreements 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 9 - SUBSEQUENT EVENT

On March 18, 2024, the Authority's Board of Directors approved a debt settlement agreement to refinance outstanding obligations of the Authority. This agreement was later approved by the City of Kalamazoo's Commission on April 15, 2024. Under the refinanced debt agreement, the Authority will pay a lump sum of \$517,000 for the debts associated with the Metropolitan Center TIF and Grant obligations. The Authority will pay additional principal of \$483,000 over annual installments in 2025 through 2034 with interest accruing at 1.5% annually. The City of Kalamazoo is to contribute \$403,052.40 to release the Authority's obligations for the Arcadia Creek Festival site improvements.

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

NOTE 9 - SUBSEQUENT EVENT (continued)

This agreement will refinance the following direct borrowings and placements included in Note 4:

Developer payable - TIF agreement	\$ 253,000
Developer payable - grants	\$ 284,900
Note payable - Arcadia Creek	\$ 269,883

In addition, the following current liabilities of the General Fund included in Note 8 will be released:

Developer Payables	
TIF Agreement	\$ 207,000
Grant Agreement	\$ 233,100
 Note Payable	
Arcadia Creek	\$ 136,756

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2023, the Authority implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (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.

There was no material impact on the Authority's financial statements after the adoption of GASB Statement No. 96.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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.

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

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF KALAMAZOO
DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 276,000	\$ 276,000	\$ 272,756	\$ (3,244)
Intergovernmental	59,210	59,210	59,210	-
Interest	-	-	301	301
TOTAL REVENUES	335,210	335,210	332,267	(2,943)
EXPENDITURES				
Current				
Public works	-	163,268	114,958	48,310
Community and economic development	335,000	171,732	174,515	(2,783)
Debt service	-	262,117	262,116	1
TOTAL EXPENDITURES	335,000	597,117	551,589	45,528
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	210	(261,907)	(219,322)	42,585
Fund balance (deficit), beginning of year	(733,373)	(733,373)	(733,373)	-
Fund balance (deficit), end of year	<u>\$ (733,163)</u>	<u>\$ (995,280)</u>	<u>\$ (952,695)</u>	<u>\$ 42,585</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, 2023, 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 25, 2024.

Report on 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. 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 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 expenditures (including debt service).

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 filing 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 25, 2024

Downtown Development Authority
Statement of Activity
5/31/2024

Cash Activity:

Cash	\$ 634,217
Due from City	
Due from DEGA	
Due to DEGA	76
Due to COK	
Total Available Cash	<u>\$ 634,141</u>

	2024 Adopted Budget	May	2024 YTD Totals
Revenues:			
Taxes	274,000	(102)	0
Delinquent Property Taxes		4,757	4,760
Payment In Lieu Of Taxes (Pilot)	2,000	1,847	2,035
Interest			-
Other Revenues - Mall Maintenance	59,210		59,210
Total Revenues	335,210	6,502	66,005
Expenses:			
Professional And Contractual Services	103,000	3,521	5,188
Land Improvements		13,659	13,659
Legal Services And Fees	30,000	8,987	8,987
Audit Fees	14,600		-
Utilities	17,000	465	2,904
Administrative Fees	125,000		31,250
Contribution to DEGA	40,000		-
MetroCenter Debt Service	-		-
Tax Appeal Refunds	5,000		-
Total Expenses	334,600	26,631	61,987
Revenues Less Expenses	610	(20,129)	4,019

Notes:

Long Term Debt Outstanding:

City Of Kalamazoo Note	459,000
City Of Kalamazoo Note - Related Tax Liability	460,000
Mavcon Note - In Negotiation	TBD

Utilities:

	May	2024 YTD Totals
Electricity (Including Street Lights)	434	2,615
Water & Sewer	31	289
TOTAL	465	2,904

Professional And Contractual Services:

Holiday Banners Removal by Sign Depot		1,667
Abraxas DDA/DEGA File Processing	3,521	3,521
TOTAL	3,521	5,188

Professional And Contractual Services Budgeted Plan:

Portland Loo Maintenance	5,000
Mall Maintenance	15,000
Wolverine PO	25,000
Mulders	5,000
Banners	2,000
Bridge Inspections	14,000
Bates Alley Maintenance	12,000
Available for Maintenance Projects or Dredging	25,000
Total	103,000

Downtown Development Authority
Statement of Activity
6/30/2024

Total Available Cash \$ 597,795

	2024 Adopted Budget	June	2024 YTD Totals
Revenues:			
Taxes	274,000		0
Delinquent Property Taxes		6	4,766
Payment In Lieu Of Taxes (Pilot)	2,000		2,035
Interest			-
Other Revenues - Mall Maintenance	59,210		59,210
Total Revenues	335,210	6	66,011
Expenses:			
Professional And Contractual Services	103,000	4,570	9,758
Land Improvements			13,659
Legal Services And Fees	30,000		8,987
Audit Fees	14,600		-
Utilities	17,000	533	3,437
Administrative Fees	125,000	31,250	62,500
Contribution to DEGA	40,000		-
MetroCenter Debt Service	-		-
Tax Appeal Refunds	5,000		-
Total Expenses	334,600	36,353	98,340
Revenues Less Expenses	610	(36,347)	(32,329)

Notes:

Long Term Debt Outstanding:

City Of Kalamazoo Note	459,000
City Of Kalamazoo Note - Related Tax Liability	460,000
Mavcon Note - In Negotiation	TBD

Utilities:

	June	2024 YTD Totals
Electricity (Including Street Lights)	457	3,071
Water & Sewer	76	365
TOTAL	533	3,436

Professional And Contractual Services:

Holiday Banners Removal by Sign Depot		1,667
Abraxas DDA/DEGA File Processing	90	3,611
Emergency Landscaping Services - by Santiago	3,360	3,360
Landscape Supplies (Mulch)	1,120	1,120
TOTAL	4,570	9,758

Professional And Contractual Services Budgeted Plan:

Portland Loo Maintenance	5,000
Mall Maintenance	15,000
Wolverine PO	25,000
Mulders	5,000
Banners	2,000
Bridge Inspections	14,000
Bates Alley Maintenance	12,000
Available for Maintenance Projects or Dredging	25,000
Total	103,000

Downtown Development Authority
2025 Draft Budget

Expenditures:	2024	2025
Maintenance:		
Utilities	17,000	17,500
Portland Loo Maintenance	5,000	10,000
Mall Maintenance	15,000	15,000
Wolverine PO	25,000	25,000
Mulders	5,000	5,000
Banners	2,000	2,000
Bridge Inspections	14,000	14,000
Bates Alley Maintenance	12,000	12,000
Available for Maintenance Projects or Dredging	25,000	25,000
Total	120,000	125,500
Administrative:		
Audit Fees	6,400	6,600
Legal Services	30,000	20,000
City Contract	125,000	125,000
Contribution to DEGA	40,000	-
Total	201,400	151,600
Debt Service:		
Outstanding Bond Payment (\$459,000)		
Outstanding TIF appeal loan to City (\$460,000)		
Total	-	-
Total Expenditures	321,400	277,100
Revenues:		
Local Tax Millage	274,000	274,000
PILOT	2,000	2,000
Mall Maintenance Agreement	59,210	59,210
Total Revenues:	335,210	335,210
Excess (Deficit)	13,810	58,110



City of Kalamazoo

OFFICE MEMO

To: Susan Lindemann, Board Chair DDA/DEGA

From: Rebekah Kik, Assistant City Manager; Steve Vicenzi, Chief Financial Officer

Date: August 14, 2024

Subject: Portland Loo Public Restroom Installation

Background

The Downtown Development Authority/Downtown Economic Growth Authority (DDA/DEGA) were created for the purpose of halting property value deterioration, increasing property tax valuation, and promoting economic growth in the City's downtown area. The City of Kalamazoo is the contracted agency with which the DDA/DEGA provide staffing and services.

Request for Public Restrooms

The city of Kalamazoo was approached by a citizen group with a petition to install public restrooms at the end of 2023. City staff began to do some research where new potential sites might be available to place public restrooms within the downtown. The several month analyses reviewed several city property locations such as City Hall, Bronson Park, and other right of way locations that would be large enough to accommodate accessible design requirements. Additionally, water and sanitation connections need to be readily available. We are preparing to bring a final proposal to the City Commission for approval.

The city currently has funding for one Portland Loo at the cost of \$600,000 to be fully installed. We would like to request the DDA/DEGA add the maintenance of the new Portland Loo to their 2025 operating budget for an additional \$5,000 per year in line with the arrangement of the installation and maintenance of the first Portland Loo.

The two locations were narrowed for consideration:

1. South Street at the Epic Ramp



2. Lovell Street behind City Hall.



The preferred location currently is the Lovell Street location behind City Hall. If the DDA/DEGA is amenable to this location, city staff will move forward with the bidding and construction of the second the Portland Loo.

Referenced petition: MLive article <https://www.mlive.com/news/kalamazoo/2023/12/public-restrooms-for-all-petition-calls-for-more-standalone-bathrooms-downtown.html>