Lansing Tax Increment Finance Authority (TIFA)

Board of Directors Meeting
Friday, February 4, 2022 – 8:30 AM
LEAP Office
1000 S. Washington Ave. Ste. 201
Lansing, MI 48910

Mask Requirement:
Face coverings are required by all Board Members, staff, and members of the public at this meeting.

AGENDA

1) Call to Order
2) Approval of TIFA Board Meeting Minutes – Friday, January 14, 2022
3) TIFA Audited Financial Statements – YE June 30, 2021 (ACTION)
4) Open Forum for TIFA Board Members
5) Other Business
6) Public Comment
7) Adjournment

Lansing Tax Increment Finance Authority (TIFA)

Board of Directors Meeting
Friday, February 4, 2021 – 8:30 AM
LEAP Office
1000 S. Washington Ave. Ste. 201
Lansing, MI 48910

MINUTES

Members Present: Calvin Jones, Michael McKissic, Andrea Binoniemi, Shelley Davis-Boyd, Tom Donaldson, Brian McGrain, Dr. Alane Laws-Barker

Members Absent: Kim Coleman, Shelley Davis-Boyd (excused), Blake Johnson

Staff Present: Karl Dorshimer, Kris Klein, Kambriana Gates, Mitchell Timmerman,

Guests: None

Call to Order
Chair Jones called the TIFA Board of Directors meeting to order at 10:05 AM

Approval of TIFA Board Meeting Minutes – Friday, December 03, 2021
MOTION: Binoniemi moved to approve the TIFA meeting minutes from the Friday, December 3, 2021 Board of Directors meeting, as presented. Motion seconded by Donaldson.

YEAS: Unanimous. Motion Carried.

Open Forum for TIFA Board Members
None

Other Business
None

Public Comment
None

Adjournment
Chair Jones adjourned the Tax Increment Finance Authority meeting at 10:06 AM

____
Karl Dorshimer, Vice President of Economic Development
Lansing Economic Area Partnership (LEAP)

Maner Costerisan
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Business & Technology Advisors

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December 17, 2021

The Honorable Mayor, Members of the City Council of the City of Lansing,
and Members of the Board of Directors of the
Tax Increment Finance Authority of the City of Lansing
Lansing, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing (the Authority), a discretely presented component unit of the City of Lansing, Michigan, for the year ended June 30, 2021. 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 City Council dated May 21, 2021. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Tax Increment Finance Authority of the City of Lansing are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2021. 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 financial statements was:

> Investments are carried at fair value, which is defined as the amount that the Authority could reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller and is generally measured by quoted market prices.

We evaluated the key factors and assumptions used to develop this estimation in determining that it is reasonable in relation to the financial statements taken as a whole.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The material misstatements detected as a result of audit procedures and corrected by management are described in connection with our report on internal control over financial reporting.

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 December 17, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the 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 City Council of the City of Lansing, the Board of Directors, and management of the City of Lansing and of the Tax Increment Finance Authority of the City of Lansing and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

TAX INCREMENT FINANCE AUTHORITY
OF THE CITY OF LANSING

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2021

Maner
Costerisan
Certified Public Accountants
Business & Technology Advisors

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of the City Council of the City of Lansing, and
Members of the Board of Directors of the
Tax Increment Finance Authority of the City of Lansing
Lansing, Michigan

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 17, 2021, on our consideration of the Tax Increment Finance Authority of the City of Lansing's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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.

Maner Costerisan PC

December 17, 2021

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tax Increment Finance Authority of the City of Lansing (the "Authority") was established by the City of Lansing (the "City") on May 26, 1981, under the authority contained in Act 450, Michigan Public Acts of 1980 (the "Act"). The Authority presents this management's discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2021.

Using this Annual Report

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

- The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

- The *statement of activities* presents information showing how the Authority's net position changed during the most recent fiscal year.

- The *governmental fund balance sheet* presents information on the Authority's assets and liabilities, with the difference between the two reported as fund balance.

- The *statement of revenues, expenditures and change in fund balance - general fund* presents information showing the Authority's actual revenues and expenditures for the most recent fiscal year on the fund level perspective.

- The *notes to financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Government-wide Financial Statements. The net position of the Authority is summarized for the purpose of determining the overall financial position. The Authority's liabilities exceeded assets and deferred outflows of resources by $41,971,771 at the end of the fiscal year. This is the result of recognizing the entire amount of outstanding debt (full accrual accounting), without a corresponding receivable for taxes to be captured in future periods (which cannot be accrued in accordance with generally accepted accounting principles). The long-term liabilities are anticipated to be paid by the Authority in annual debt service payments over the next 20 years and the City has also pledged its limited full faith and credit for the repayment of the long-term obligations. The revenue source for these payments will be from annual property tax increments captured by the Authority from the TIFA District. The Authority's current and future yearly tax capture increments are projected by the Authority to be sufficient to make the future scheduled annual debt service payments.

A comparative analysis of the data is presented below:

	Governmental Activities 2021	Governmental Activities 2020
Assets		
Current and other assets	$ 7,102,298	$ 4,264,358
Deferred Outflows	-	935,439
Liabilities		
Current liabilities	2,301,145	258,737
Noncurrent liabilities	45,536,318	45,589,864
Total liabilities	47,837,463	45,848,601
Deferred Inflows	1,236,606	-
Net Position		
Restricted for debt service	1,880,224	2,507,708
Unrestricted (deficit)	(43,851,995)	(43,156,512)
Total net position	$ (41,971,771)	$ (40,648,804)

When comparing the current fiscal year to the previous fiscal year, net position decreased by $1,322,967, as compared to the prior year decrease in net position of $746,638. The main cause for this change is an increase in interest and fees expense related to long-term debt.

	Governmental Activities 2021	Governmental Activities 2020
Revenues		
General revenues	$ 3,696,496	$ 3,514,492
Expenses	5,019,463	4,261,130
Change in net position	(1,322,967)	(746,638)
Net position, beginning of year	(40,648,804)	(39,902,166)
Net position, end of year	$ (41,971,771)	$ (40,648,804)

General Fund Financial Analysis

At the end of the current fiscal year, the Authority's governmental fund (the general fund) reported an ending fund balance of $6,909,498, an increase of $2,793,254 in comparison to the prior year. The primary reason for this increase is an increase in property tax revenue and decrease in debt service related expenditures.

General Fund Budgetary Highlights

In accordance with State statute, the Authority adopts a budget annually prior to the commencement of the fiscal year. The budget may be amended during the year by formal resolution of the Board of Directors.

Property tax revenue was $874,038 over budget. Tax revenues came in higher than expected primarily due to personal property values being greater than the preliminary projections.

Capital Assets. The Authority has no capital assets at this time.

Long-term Obligations Administration

At the end of the current fiscal year, the Tax Increment Finance Authority of the City of Lansing had total long-term obligations outstanding of $47,539,557. General obligation bonds are direct obligations and pledge the full faith and credit of the City of Lansing, Michigan. These bonds are outstanding with varying amounts of principal maturing until 2040.

	Outstanding Debt	
	2021	2020
General obligation bonds	$ 28,315,000	$ 27,600,000
Lease contract		
Principal	11,029,889	11,029,889
Accreted interest	8,255,052	7,026,398
Unamortized discount on bonds	(60,384)	(66,423)
Total outstanding debt	$ 47,539,557	$ 45,589,864

Additional information on the Authority's long-term obligations can be found in Note 5 of the financial statements.

Economic Factors

The Tax Increment Finance Authority of the City of Lansing's expenses are governed by the laws of the State of Michigan and bond indenture covenants. These laws and covenants determine how bond proceeds are spent and how and when debt retirement payments are made.

Requests for Information

This financial report is designed to provide a general overview of the Tax Increment Finance Authority of the City of Lansing finances and to show accountability for the money it receives and expends. Additional information on the Authority can be found on the City of Lansing's website at www.lansingmi.gov. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: 1000 S. Washington Avenue, Suite 201, Lansing, Michigan 48910-3201.

BASIC FINANCIAL STATEMENTS

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 5,222,074
Restricted cash, cash equivalents, and investments	1,202,714
Total current assets	6,424,788
Noncurrent assets	
Restricted investments	677,510
TOTAL ASSETS	7,102,298
LIABILITIES	
Current liabilities	
Accounts payable	192,800
Current portion of accrued interest payable	9,208
Current portion of long-term obligations	2,099,137
Total current liabilities	2,301,145
Noncurrent liabilities	
Accrued interest payable, net of current portion	95,898
Long-term obligations, net of current portion	45,440,420
Total noncurrent liabilities	45,536,318
TOTAL LIABILITIES	47,837,463
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refunding	1,236,606
NET POSITION	
Restricted for debt service	1,880,224
Unrestricted (deficit)	(43,851,995)
TOTAL NET POSITION	$ (41,971,771)

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Governmental Activities
Expenses	
Development expenses	$ 242,800
Interest and fees on long-term debt	4,776,663
Total expenses	5,019,463
General revenues	
Property taxes	4,009,038
Investment earnings	(312,542)
Total general revenues	3,696,496
Change in net position	(1,322,967)
Net position, beginning of the year	(40,648,804)
Net position, end of the year	$ (41,971,771)

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2021

	General
ASSETS	
Cash and cash equivalents	$ 5,222,074
Restricted cash, cash equivalents, and investments	1,880,224
TOTAL ASSETS	$ 7,102,298
LIABILITIES	
Accounts payable	$ 192,800
FUND BALANCE	
Restricted for debt service	1,880,224
Unassigned	5,029,274
TOTAL FUND BALANCE	6,909,498
TOTAL LIABILITIES AND FUND BALANCE	$ 7,102,298

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total fund balance - governmental fund		$ 6,909,498
Amounts reported for the governmental activities in the statement of net position are different because:		
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities and related items at year-end consist of:		
Long-term obligations	$ (39,284,505)	
Deferred gain on bond refunding	(1,236,606)	
Accrued and accreted interest on long-term obligations	(8,360,158)	
		(48,881,269)
Net position of governmental activities		$ (41,971,771)

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2021

	General
REVENUES	
Property taxes	$ 4,009,038
Loss on investments	(312,542)
TOTAL REVENUES	3,696,496
EXPENDITURES	
Current	
General government	
Operating	192,800
Capital projects - courts	50,000
Debt service	
Interest, fiscal, and other charges	753,480
TOTAL EXPENDITURES	996,280
EXCESS OF REVENUES OVER EXPENDITURES	2,700,216
OTHER FINANCING SOURCES (USES)	
Proceeds from refunding bonds	4,485,000
Payment to refunding bond escrow agent	(4,391,962)
TOTAL OTHER FINANCING SOURCES (USES)	93,038
NET CHANGE IN FUND BALANCE	2,793,254
Fund balance, beginning of year	4,116,244
Fund balance, end of year	$ 6,909,498

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net change in fund balance - governmental fund		$ 2,793,254
Amounts reported for governmental activities in the statement of activities are different because:		
Repayment of long-term obligations and borrowings of long-term obligations are reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist		
Issuance of refunding bonds	$ (4,485,000)	
Principal payments on long-term obligations	3,770,000	
		(715,000)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Amortization of deferred issuance discounts and changes in deferred gain/charge on bond refunding	(2,178,084)	
Change in accreted interest on lease contract and accrued interest payable	(1,223,137)	
		(3,401,221)
Change in net position of governmental activities		$ (1,322,967)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Tax Increment Finance Authority of the City of Lansing (the "Authority"), a component unit of the City of Lansing, was established by the City of Lansing (the "City") on May 26, 1981, under the authority contained in Act 450, Michigan Public Acts of 1980 (the "Act"). The Act authorizes the City to designate specific districts within its corporate limits as Tax Increment Finance Authority Districts (the "Districts"). The Authority is appointed to preside over such Districts, and it is authorized to formulate plans for public improvements, economic development, neighborhood revitalization and historic preservation within the Districts. The Act allows the Authority to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. Tax increment financing plans must be approved by the City.

The Authority is a component unit of the City because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations, and it is financially accountable for the Authority as defined under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - An Amendment of GASB Statements No. 14 and No. 34.* Accordingly, the Authority is presented as a discrete component unit in the City's financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Authority.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable activities with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. Property taxes are reported as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial information is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The Authority reports a single major governmental fund - the general fund. The general fund is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those accounted for and reported in another fund, if any.

Budgets and Budgetary Accounting

The Authority has established the following procedures for determining the budgetary data presented in the accompanying financial statements:

a. The secretary of the Authority's Board of Directors submits to the City Council of the City of Lansing a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

b. A public hearing is conducted to obtain taxpayer comments.

c. Prior to July 1, the budget is legally adopted by City Council resolution, pursuant to the Uniform Budgeting and Accounting Act (P.A. 2 of 1968, as amended). This act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or to allow expenditures in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget and shall not exceed the amount appropriated.

d. Formal budgetary integration is employed as a management control device during the year for the funds.

e. Budgets are adopted on a basis consistent with generally accepted accounting principles.

f. Expenditures may not exceed budget at the activity level.

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand and demand deposits and amounts held by the City of Lansing, Michigan for the benefit of the Authority.

Restricted cash consists of amounts required to be maintained separately in accordance with bond covenants.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Deposits and Investments (continued)

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 an 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 laws of this 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 6 of 1855 PA 105, MCL 21.146.

c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

d. Bankers' acceptances of United States banks.

e. The United States government or Federal agency obligations repurchase agreements.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

The Authority follows the investment policy of the City of Lansing.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority only has one item that qualifies for reporting in this category, which is the deferred gain on bond refunding. A deferred gain on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity (continued)

Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as a liability. Bond discounts, if any, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the period in which new debt is issued. The face amount of obligations issued are reported as an other financing source. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance, if any, is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify, or rescind a fund balance commitment. The Authority reports assigned fund balance for amounts that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed. The Authority currently has no assigned or committed fund balance, as the Board of Directors has not yet given the authority for the making of such constraints. Unassigned fund balance is the residual classification for the general fund.

When the Authority incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Authority's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 - NET POSITION/FUND BALANCE

The statement of net position shows an unrestricted deficit of $43,851,995, which is due to the full accrual accounting of all long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles). Total fund balance amounts to a positive balance of $6,909,498 and unassigned fund balance amounts to $5,029,274.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit balances as of June 30, 2021:

Statement of net position	
Cash and cash equivalents	$ 5,222,074
Restricted cash, cash equivalents, and investments - current	1,202,714
Restricted investments - noncurrent	677,510
Total	$ 7,102,298
Deposits and investments	
Cash and cash equivalents in money market accounts and pooled cash at the City of Lansing	$ 5,778,017
Investments	1,324,281
	$ 7,102,298

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require, and the Authority does not have a policy for deposit custodial credit risk. As of year-end, $1,630,224 of the Authority's bank balance of $1,880,224 was exposed to custodial credit risk because it was uninsured and uncollateralized for the accounts that were specifically held in the Authority's name.

A portion of the above deposits and investments are held by the City of Lansing, Michigan. Those specific deposit and investment accounts are not held in the name of the Authority. The amount of federal depositary insurance and custodial credit risk of investments is determined for the City of Lansing, Michigan as a whole, and cannot be separately identified for the Authority related to these accounts.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments

As of June 30, 2021, the Authority's investments consisted of U.S. government debt securities totaling $1,324,281.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Authority does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, are summarized as follows:

S&P AA+	$ 646,771
Unrated	677,510
Total	$ 1,324,281

Interest Rate Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. For investments held at year-end maturities are as follows:

Due within 1 year	$ 646,771
Due in 1 - 5 years	677,510
Total	$ 1,324,281

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2021, all of the Authority's investments were classified as Level 2 fair value.

NOTE 4 - LEASE CONTRACTS

The Authority entered into a 20-year lease contract with the City of Lansing to assist in the financing of various automobile parking structures and lots. On September 1, 2009, the lease agreement was amended extending the payment schedule through 2039. Upon termination of the contract, the City shall convey the project and the sites to the Authority without consideration if permissible under the City Charter and applicable State law. The lease amortization is disclosed in Note 5.

The Authority has entered into a payment agreement with the City to use excess tax increment revenues to make lease payments pursuant to an operating lease between the City and the City of Lansing and County of Ingham Joint Building Authority (the "Joint Authority") related to the City's use of a building constructed by the Joint Authority. The total of such payments amounted to $50,000 for the year ended June 30, 2021.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the Authority for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Amounts Due Within One Year
General obligation bonds	$ 27,600,000	$ 4,485,000	$ (3,770,000)	$ 28,315,000	$ 50,000
Direct borrowings and direct placements lease contract	11,029,889	-	-	11,029,889	-
Total	38,629,889	4,485,000	(3,770,000)	39,344,889	50,000
Add accreted interest on lease contract	7,026,398	1,228,654	-	8,255,052	2,049,137
Less unamortized discount on general obligation bonds	(66,423)	-	6,039	(60,384)	-
	$ 45,589,864	$ 5,713,654	$ (3,763,961)	$ 47,539,557	$ 2,099,137

General Obligation Bonds

$16,150,000 2017 refunding bonds due in amounts ranging from $435,000 through $1,640,000, plus interest ranging from 3.305% to 4.075% through 2040 (limited tax, general obligation).	$ 16,150,000
$7,730,000 2019 refunding bonds due in amounts ranging from $865,000 through $1,335,000, plus interest ranging from 3.050% to 3.680% through 2031 (limited tax, general obligation).	7,730,000
$4,485,000 2020 refunding bonds due in amounts ranging from $50,000 through $540,000, plus interest ranging from 0.621% to 2.793% through 2039 (limited tax, general obligation).	4,435,000
Total general obligation bonds	$ 28,315,000

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Direct Borrowings and Direct Placements

$49,660,000 1994 lease contract due in annual installments ranging from $533,923 to $2,113,374 through 2040. Interest is charged semi-annually at 3.35%. Any unpaid interest in a given year is accreted.	$ 11,029,889

Annual debt service requirements to maturity for the Authority's long-term obligations is as follows:

	Governmental Activities			
	General Obligation Bonds		Direct Borrowings and Direct Placements	
Year Ending June 30,	Principal	Interest	Principal	Interest
2022	$ 50,000	$ 1,000,832	$ -	$ 1,157,090
2023	50,000	1,000,472	-	1,096,410
2024	50,000	1,000,050	-	1,030,242
2025	915,000	999,528	-	767,510
2026	1,615,000	972,574	-	1,005,830
2027-2031	9,285,000	3,988,544	-	4,773,907
2032-2036	8,690,000	2,407,200	3,898,901	4,009,154
2037-2040	7,660,000	688,721	7,130,988	1,096,108
	$ 28,315,000	$ 12,057,921	$ 11,029,889	$ 14,936,251

Current Year Defeasance of Debt

On August 13, 2020, the City defeased the 2014 TIFA Refunding Bonds, which were due and payable through May 1, 2040. This was accomplished by establishing an irrevocable trust with an escrow agent composed of U.S. Government Securities sufficient to meet the applicable principal and interest payments. The City issued 2020 TIFA Refunding Bonds in the amount of $4,485,000. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. As a result of the advance refunding, the City decreased its total debt service requirements by $358,037, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $286,990.

NOTE 6 - PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Lansing bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by the County of Ingham. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the Tax Increment Finance Authority of the City of Lansing for local school levies to the extent that the current taxable value exceeds the base year taxable value.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Economic Development Corporation of the City of Lansing (EDC) provides administrative services to the Authority; the Authority and the EDC share a common board of directors.

Administrative fees, consisting of operating costs charged to the Authority by EDC, were $192,800. The Authority has no liability for compensated absences or pension benefits.

NOTE 8 - RISK MANAGEMENT

The Authority, as a discretely presented component unit of the City of Lansing, is exposed to various risks of loss that are covered by the City's policies, including losses related to issues of cyber security, liability, errors and omissions, flood, boiler and machinery, property, employee bonding, crime, and workers' compensation which is covered through the Authority's insurance policies. The Authority carries commercial insurance to cover these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage during the past three years.

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2017, the GASB issued Statement No. 87, *Leases*. This Statement increases 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. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (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 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 2,950,500	$ 3,132,000	$ 4,009,038	$ 877,038
Loss on investments	85,000	77,000	(312,542)	(389,542)
TOTAL REVENUES	3,035,500	3,209,000	3,696,496	487,496
EXPENDITURES				
Current				
General government				
Operating	147,025	150,000	192,800	(42,800)
Capital projects - courts	-	-	50,000	(50,000)
Debt service				
Interest, fiscal, and other charges	4,181,313	2,286,319	753,480	1,532,839
TOTAL EXPENDITURES	4,328,338	2,436,319	996,280	1,440,039
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,292,838)	772,681	2,700,216	1,927,535
OTHER FINANCING SOURCES (USES)				
Proceeds from refunding bonds	-	-	4,485,000	4,485,000
Payment to refunding bond escrow agent	-	-	(4,391,962)	(4,391,962)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	93,038	93,038
NET CHANGE IN FUND BALANCE	(1,292,838)	772,681	2,793,254	2,020,573
Fund balance, beginning of year	4,116,244	4,116,244	4,116,244	-
Fund balance, end of year	$ 2,823,406	$ 4,888,925	$ 6,909,498	$ 2,020,573

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The approved budgets of the Tax Increment Finance Authority have been adopted at the activity level for the General Fund.

During the year ended June 30, 2021, the Tax Increment Finance Authority incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
EXPENDITURES			
Current			
General government	$ 150,000	$ 242,800	$ (92,800)
OTHER FINANCING USES			
Payment to refunding bond escrow agent	-	4,391,962	(4,391,962)

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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*

The Honorable Mayor, Members of the City Council of the City of Lansing, and
Members of the Board of Directors of the
Tax Increment Finance Authority of the City of Lansing
Lansing, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Tax Increment Finance Authority of the City of Lansing (the Authority), a discretely presented component unit of the City of Lansing, Michigan, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 17, 2021.

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 opinion 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 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 were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses:

2021-001 MATERIAL JOURNAL ENTRIES

Condition: Material journal entries for the proper recognition of various financial statement amounts within the City's accounting records were recorded after year end, some of which were proposed by the auditors. In addition, we received several revisions to the City's trial balance (the final version coming in early December 2021), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2020-001.

Criteria: 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, including the recording of all appropriate journal entries to assure the trial balance from which the financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: Over the past several years, the City's Finance Department, who prepares the reconciliations of all accounts, has reduced in size due to budget reductions, staffing reductions, and staffing turnover. In addition, the Finance Department relies significantly on other Departments providing information to them for proper recording of transactions in the financial statements. A number of these Departments were behind in getting this information to the Finance Department. These issues have placed a significant burden on the month and year end close processes and have contributed to journal entries not being completed in a timely manner. We noted that this process did improve in the current fiscal year, however this was still a systemic issue for the City.

Effect: The accounting records were initially misstated by amounts material to the financial statements. Certain applicable adjustments were brought to the attention of management and were subsequently recorded in the general ledger.

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

Corrective Action Response: Management of the City will continue to review auditor recommendations/ corrections and internal procedures related to the identification and correction of potential errors in the financial statements prior to the beginning of future audits. The Finance team will meet to review adjustments made to this year's financial statements and will develop a plan to address the most significant issues in a timelier manner going forward. Within budget constraints, Management will look to increase staffing levels and/or obtain temporary assistance earlier in the fiscal year, both within the Finance Department as well as other key Departments, in order to perform more timely analyses of the various account balances.

2021-002 RECONCILING ITEMS ON BANK RECONCILIATIONS

Condition: During the course of the audit, we noted that there are many old reconciling items on the bank reconciliations that had not been resolved for several years. In addition, while the City made improvement in the timing of completing bank reconciliations over the course of the fiscal year, they were still several months behind what would be considered timely, which would normally be approximately 30 to 45 days after month end. A similar issue was noted and reported last year as 2020-002.

Criteria: Clearing of old reconciling items from the bank reconciliation and completion of timely bank account reconciliations and review thereof, represent an important control used to detect and prevent misstatements and errors. Such reconciliations should be completed and reviewed monthly for all accounts.

Cause: Over the past several years, the City's Finance Department, who prepares the reconciliations of most bank accounts, has reduced in size due to staffing reductions and staffing turnover. These changes have placed a significant burden on the month and year end close processes and have contributed to reconciliations not being completed timely and reconciling items not being cleared in a timely manner.

2021-002 RECONCILING ITEMS ON BANK RECONCILIATIONS (continued)

Effect: As a result of this condition, all activities that have cash transactions have an increased risk that misstatements in the accounting records, whether caused by error or fraud, would not be detected and corrected on a timely basis.

Recommendation: We recommend the City take steps to assure that all differences be resolved in a timely manner and that all bank reconciliations are completed and tied to the general ledger in a timely fashion.

Correction Action Response: First, we would like to point out the significant improvements made during the current fiscal year.

a. We completed and signed off on the pooled cash account reconciliation the first week of October. Significant improvement from the prior years when this was done in December.

b. Wire transfers are now being processed on a regular basis, within 30 days and often less.

c. The Cleared Check file is received from the bank approximately 15 days after month end and they are now cleared in our system the same week that the file is received.

d. Treasury is posting cash receipts daily now (typically the following business day) so that the various departments can review their transactions and verify the postings and identify any errors in a timely manner. Treasury then provides Finance and Cash Receipt documents 30 days after month end and Finance processes them right away (about a 2-week process).

e. Finance and Treasury worked with other Departments to train them to review and identify posting errors earlier.

f. Multiple Finance team members are in the bank's website looking at the pooled cash account each week to review whether certain wire transfers, ACHs, or other activity has posted and whether that week's wire transfers have been approved and posted to the account. As part of looking through the account activity for these items, we review other significant postings to the account and if anything looks odd, we investigate it to verify its validity.

g. Duties have been split to provide Finance team members more time to work on the pooled account bank reconciliation.

h. Significant improvements have been made on the Payroll and Income Tax accounts and most months were reconciled within 45 days of month end.

i. The other smaller bank accounts and numerous Retirement accounts are now being completed as soon as the bank statements arrive, often within a 30-day window or less.

Management of the City will work on several areas of improvement to alleviate this issue.

a. We issued an RFI for banking services and have reviewed the responses. We will be meeting with/interviewing the top 3 or 4 banks and ultimately, we will issue an RFP for banking services. One of the goals is to reduce the number of bank accounts we have and use their expertise to improve our bank account management processes.

b. We will assign the responsibility for each of the bank accounts to various Finance team members, including using City Treasury staff, who will be responsible for reconciling those statements in a timely manner.

2021-002 RECONCILING ITEMS ON BANK RECONCILIATIONS (continued)

c. We will review the old outstanding reconciling items with the view toward clearing them up before the end of the next fiscal year.

d. Management will look to increase staffing levels and/or obtain temporary assistance earlier in the fiscal year, both in the Finance Department as well as other key Departments, in order to perform more timely analyses of the various account balances.

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 provision 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 matter that is required to be reported under *Governmental Auditing Standards*.

2021-003 UNFAVORABLE BUDGET VARIANCES

Finding Type: Noncompliance material to financial statements

Condition: We noted that expenditures had exceeded the amounts appropriated for the General Fund.

Criteria: The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined" for all applicable funds. The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Cause: The City did not adequately monitor expenditures in relation to budgeted amounts in the areas where the overages occurred.

Effect: Having unfavorable budget variances as described above, the City is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

View of Responsible Officials: The City always wants to have a tighter reign over revenue and expenditures. Over the past year the City has met with its partners with the Economic Development Corporation and the authorities Board and sought additional information necessary to budget revenues and expenditures on a tighter basis. The City will continue meeting with these partners to review and prepare financials and projections on an earlier and more frequent basis.

Authority's Responses to Findings

The Authority's responses to the findings identified in our audit are described above. The Authority's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Maner Costerisan PC

December 17, 2021