

Lansing Tax Increment Finance Authority (TIFA)

Board of Directors Meeting

Friday, February 02, 2024 – 8:30 AM

401 S. Washington Sq. Ste. 101 Lansing, MI 48933

AGENDA

- 1) Call to Order
- 2) Approval of TIFA Board Meeting Minutes – Friday, January 12, 2024
- 3) TIFA FY2022/2023 Audited Financial Statements (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, January 12, 2024 – 8:30 AM

401 S. Washington Sq. Ste. 101 Lansing, MI 48933

MINUTES

Members Present:

Chair - Calvin Jones, Vice-Chair - Shelley Davis Boyd, Secretary
- Dr. Alane Laws-Barker, Sandra Lupien, Rawley Van Fossen

Members Absent:

Treasurer - Catherine Rathbun, Chaz Carrillo, Michael McKissic,
Jordan Sutton

Staff Present:

Karl Dorshimer, Kris Klein, Aurelius Christian. Alex Watkins, and
Kahleea Washington

Guests:

Call to Order

Chair Jones called the Lansing Tax Increment Finance Authority meeting to order at 9:27 AM

Approval of TIFA Board Meeting Minutes – Friday December 15, 2023 (ACTION)

MOTION: Member Van Fossen moved to approve the TIFA meeting minutes from the Friday, December 15, 2023, Board of Directors meeting, as presented. Motion seconded by member Davis Boyd.

YEAS: Unanimous, motion carried.

Open Forum for TIFA Board Members

None.

Other Business

None.

Public Comment

None.

Adjournment

Chair Jones called the Lansing Tax Increment Finance Authority meeting to adjournment at 9:29 AM.



Karl Dorshimer, President and CEO

Lansing Economic Development Corporation (LEDC)

**TAX INCREMENT FINANCE AUTHORITY
OF THE CITY OF LANSING**

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

YEAR ENDED JUNE 30, 2023

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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, Michigan

Report on the Audit of the Financial Statements

Opinions

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, 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 and the major fund of the Tax Increment Finance Authority of the City of Lansing as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tax Increment Finance Authority of the City of Lansing 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.

Emphasis of Matter

Exclusive Presentation

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not present fairly the financial position, or where applicable, its cash flows of the City of Lansing, Michigan, as of June 30, 2023, and the changes in its financial position for the years 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

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 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 15, 2022, 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.

Maney Costeian PC

December 15, 2023

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, 2023.

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 and deferred inflows of resources exceeded assets by \$31,719,597 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.

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

A comparative analysis of the data is presented below:

	Governmental Activities	
	2023	2022
Assets		
Current and other assets	\$ 10,492,155	\$ 8,702,615
Liabilities		
Current liabilities	1,567,315	2,357,775
Noncurrent liabilities	39,624,765	40,367,222
Total liabilities	41,192,080	42,724,997
Deferred Inflows	1,019,672	1,131,356
Net Position		
Restricted for debt service	276,027	1,135,498
Unrestricted (deficit)	(31,995,624)	(36,289,236)
Total net position	\$ (31,719,597)	\$ (35,153,738)

When comparing the current fiscal year to the previous fiscal year, net position increased by \$3,434,141, as compared to the prior year increase in net position of \$6,818,033. The main cause for this change is a correction of an estimate.

	Governmental Activities	
	2023	2022
Revenues		
General revenues	\$ 5,057,055	\$ 4,560,424
Expenses	1,622,914	(2,257,609)
Change in net position	3,434,141	6,818,033
Net position, beginning of year	(35,153,738)	(41,971,771)
Net position, end of year	\$ (31,719,597)	\$ (35,153,738)

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 \$10,492,155 an increase of \$2,019,000 in comparison to the prior year. The primary reason for this increase is an increase in property tax revenue.

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

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.

Debt service expenditures were over final budget by \$315,269 due to increase in debt service requirements based on amortization schedules for the Authority.

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 \$41,051,256. 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	
	2023	2022
General obligation bonds	\$ 28,215,000	\$ 28,265,000
Contract Payable		
Principal	10,009,580	10,009,580
Accreted interest	2,826,676	4,115,881
Total outstanding debt	<u>\$ 41,051,256</u>	<u>\$ 42,390,461</u>

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: Finance Department - 8th Floor, 124 W. Michigan Avenue, Lansing, Michigan 48910.

BASIC FINANCIAL STATEMENTS

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF NET POSITION
JUNE 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 10,075,304
Restricted cash, cash equivalents, and investments	<u>416,851</u>
TOTAL ASSETS	<u>10,492,155</u>
LIABILITIES	
Current liabilities	
Current portion of accrued interest payable	9,178
Current portion of long-term obligations	<u>1,558,137</u>
Total current liabilities	<u>1,567,315</u>
Noncurrent liabilities	
Accrued interest payable, net of current portion	131,646
Long-term obligations, net of current portion	<u>39,493,119</u>
Total noncurrent liabilities	<u>39,624,765</u>
TOTAL LIABILITIES	<u>41,192,080</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refunding	<u>1,019,672</u>
NET POSITION	
Restricted for debt service	276,027
Unrestricted (deficit)	<u>(31,995,624)</u>
TOTAL NET POSITION	<u><u>\$ (31,719,597)</u></u>

See accompanying notes to financial statements.

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	<u>Governmental Activities</u>
EXPENSES	
Development expenses	\$ 262,583
Interest and fees on long-term debt	<u>1,360,331</u>
TOTAL EXPENSES	<u>1,622,914</u>
GENERAL REVENUES	
Property taxes	5,036,311
Other income	3,062
Investment income	<u>17,682</u>
TOTAL GENERAL REVENUES	<u>5,057,055</u>
CHANGE IN NET POSITION	3,434,141
Net position, beginning of the year	<u>(35,153,738)</u>
Net position, end of the year	<u><u>\$ (31,719,597)</u></u>

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2023

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 10,075,304
Restricted cash, cash equivalents, and investments	<u>416,851</u>
TOTAL ASSETS	<u><u>\$ 10,492,155</u></u>
FUND BALANCE	
Restricted for debt service	\$ 416,851
Unassigned	<u>10,075,304</u>
TOTAL FUND BALANCE	<u><u>\$ 10,492,155</u></u>

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, 2023**

Total fund balance - governmental fund \$ 10,492,155

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	\$	(38,224,580)	
Deferred gain on bond refunding		(1,019,672)	
Accrued and accreted interest on long-term obligations		<u>(2,967,500)</u>	
			<u>(42,211,752)</u>
Net position of governmental activities			<u><u>\$ (31,719,597)</u></u>

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2023**

	<u>General</u>
REVENUES	
Property taxes	\$ 5,036,311
Other income	3,062
Investment income	<u>17,682</u>
TOTAL REVENUES	<u>5,057,055</u>
EXPENDITURES	
Current	
General government	
Operating	262,583
Debt service	
Principal, interest, fiscal, and other charges	<u>2,775,472</u>
TOTAL EXPENDITURES	<u>3,038,055</u>
NET CHANGE IN FUND BALANCE	2,019,000
Fund balance, beginning of year	<u>8,473,155</u>
Fund balance, end of year	<u><u>\$ 10,492,155</u></u>

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, 2023**

Net change in fund balance - governmental fund **\$ 2,019,000**

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 of:

Payments on long-term obligations 1,775,000

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	\$	111,684	
Change in accreted interest on contract payable and accrued interest payable		<u>(471,543)</u>	
			<u>(359,859)</u>

Change in net position of governmental activities **\$ 3,434,141**

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
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. They do not purport to, and do not present fairly, the net position of the City of Lansing, Michigan and changes in its net position or cash flows in conformity with accounting principles generally accepted in the United States of America. 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.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

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, demand deposits, certificates of deposit with and original maturity of less than 90 days from the date of purchase, and amounts held by the City of Lansing, Michigan for the benefit of the Authority.

Restricted cash, cash equivalents, and investments consist of amounts required to be maintained separately in accordance with bond covenants.

Investments are stated at fair value. 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.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

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.

Due From Other Governmental Units

Due from other governmental units consists of amounts due from the City of Lansing for general revenues and services.

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.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

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.

Revenues

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 2022 taxable valuation of the City approximated \$2.49 billion (a portion of which is abated and a portion of which is captured by the TIFA), on which taxes levied consisted of 19.44 mills. These captures, in conjunction with captures the TIFA is entitled to receive from other taxing authorities, resulted in approximately \$5.0 million of property tax revenue for the TIFA in the current year.

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.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NET POSITION/FUND BALANCE

The statement of net position shows an unrestricted deficit of \$(31,995,624), which is due to the full accrual accounting of all long-term obligations, 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 \$10,492,155 and unassigned fund balance amounts to \$10,075,304.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit balances as of June 30, 2023:

Statement of net position	
Cash and cash equivalents	\$ 10,075,304
Restricted cash, cash equivalents, and investments - current	<u>416,851</u>
Total	<u><u>\$ 10,492,155</u></u>
Deposits and investments	
Cash and cash equivalents in money market accounts	
and pooled cash at the City of Lansing	\$ 10,075,304
Investments	<u>416,851</u>
	<u><u>\$ 10,492,155</u></u>

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, there were no deposits subject to custodial credit risk.

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, 2023, the Authority's investments consisted of U.S. government debt securities totaling \$416,851. 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.

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS**

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. All investments held at year end were unrated.

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 one year	<u><u>\$ 416,851</u></u>
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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.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. government bonds	<u><u>\$ -</u></u>	<u><u>\$ 416,851</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 416,851</u></u>

NOTE 4 - CONTRACT PAYABLE

The Authority entered into a 20-year contract with the City of Lansing to assist in the financing of various automobile parking structures and lots. 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 amortization is disclosed in Note 5.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - CONTRACT PAYABLE (continued)

The Authority has entered into a payment agreement with the City to use excess tax increment revenues to make payments pursuant to an agreement 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, 2023.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the Authority for the year ended June 30, 2023:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amounts Due Within One Year
General obligation bonds	\$ 28,265,000	\$ -	\$ (50,000)	\$ 28,215,000	\$ 50,000
Direct borrowings and direct placements contract payable	10,009,580	-	-	10,009,580	-
Total	38,274,580	-	(50,000)	38,224,580	50,000
Add accreted interest on contract payable	4,115,881	435,795	(1,725,000)	2,826,676	1,508,137
	<u>\$ 42,390,461</u>	<u>\$ 435,795</u>	<u>\$ (1,775,000)</u>	<u>\$ 41,051,256</u>	<u>\$ 1,558,137</u>

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 1.045% to 2.793% through 2039 (limited tax, general obligation). 4,335,000

Total general obligation bonds \$ 28,215,000

Direct Borrowings and Direct Placements

\$49,660,000 1994 contract payable due in annual installments ranging from \$134,245 to \$2,265,220 through 2035. Interest is charged semi-annually at 3.35%. Any unpaid interest in a given year is accreted. \$ 10,009,580

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

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

Year Ending June 30,	Governmental Activities			
	General		Direct Borrowings	
	Obligation Bonds		and Direct Placements	
	Principal	Interest	Principal	Interest
2024	\$ 50,000	\$ 1,000,050	\$ -	\$ 1,508,137
2025	915,000	999,528	-	767,510
2026	1,615,000	972,574	-	1,242,510
2027	1,940,000	921,526	617,501	484,311
2028	1,655,000	858,472	631,906	307,988
2029-2033	8,985,000	3,350,148	6,360,708	1,149,287
2034-2038	9,330,000	1,776,034	2,399,465	71,908
2039-2040	3,725,000	178,285	-	-
	<u>\$ 28,215,000</u>	<u>\$ 10,056,617</u>	<u>\$ 10,009,580</u>	<u>\$ 5,531,651</u>

Prior Year Defeasance of Debt

As of June 30, 2023, defeased bonds related to the prior year refunding of the 2014 TIFA Refunding Bonds were still outstanding in the amount of \$3,720,000. The defeased bond is scheduled to be paid by the escrow agent on June 1, 2024.

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 \$251,633. The Authority has no liability for compensated absences or pension benefits.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTES TO FINANCIAL STATEMENTS

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 PRONOUNCEMENT

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 periods, (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 2023-2024 fiscal year.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 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 statement after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,857,270	\$ 5,039,661	\$ 5,036,311	\$ (3,350)
Other income	-	-	3,062	3,062
Investment income	77,000	77,000	17,682	(59,318)
TOTAL REVENUES	3,934,270	5,116,661	5,057,055	(59,606)
EXPENDITURES				
Current				
General government				
Operating	195,000	251,633	262,583	(10,950)
Debt service				
Principal, interest, fiscal, and other charges	2,460,203	2,460,203	2,775,472	(315,269)
TOTAL EXPENDITURES	2,655,203	2,711,836	3,038,055	(326,219)
NET CHANGE IN FUND BALANCE	1,279,067	2,404,825	2,019,000	(385,825)
Fund balance, beginning of year	8,473,155	8,473,155	8,473,155	-
Fund balance, end of year	<u>\$ 9,752,222</u>	<u>\$ 10,877,980</u>	<u>\$ 10,492,155</u>	<u>\$ (385,825)</u>

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023

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, 2023, the Tax Increment Finance Authority incurred expenditures in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
EXPENDITURES			
General government			
Operating	\$ 251,633	\$ 262,583	\$ (10,950)
Debt Service			
Principal, interest, fiscal, and other charges	2,460,203	2,775,472	(315,269)



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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, 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, 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 December 15, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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 a certain deficiency in internal control that we consider to be a material weakness.

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. We identified a certain deficiency in internal control, described below as item 2023-001, that we consider to be a material weakness.

2023-001 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 2023), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2022-001.

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: The Finance Team will continue the efforts begun this year regarding 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 bottlenecks that were encountered and will develop a plan to address the most significant issues in a more timely 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. In FY24, Finance will continue working on the implementation of a new General Ledger software package, which ultimately will also help to resolve this issue.

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 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 matters that is required to be reported under *Government Auditing Standards*.

2023-002 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.

Corrective Action Response: The City will continue to make improvements in control of revenue and expenditures and budget conservatively in order to maintain the City’s fiscal health. The Finance Department recently added a new Budget Director and Budget Analyst as part of its team and is working with departments to be more proactive and responsive to City needs and to identify necessary changes during the fiscal year. Correcting this issue will be one of their principal tasks. We will continue to work with the various departments to be more aware of the status of their actual vs budget status throughout the year. A decision was made to implement a new ERP system, which will also help with this in the future.

Authority’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on 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.

Manes Costeiran PC

December 15, 2023