

Lansing Tax Increment Finance Authority (TIFA)

Board of Directors Meeting

Friday, February 07, 2025 – 8:30 AM

Lansing EDC Office - 401 S. Washington Sq. Suite 101, Lansing, MI 48933

AGENDA

- 1) Call to Order
- 2) Approval of TIFA Board Meeting Minutes – Friday, January 10, 2025
- 3) TIFA FY2023/2024 Audited Financial Statements (ACTION)
- 4) Update TIFA Act Amendments
- 5) Open Forum for TIFA Board Members
- 6) Other Business
- 7) Public Comment
- 8) Adjournment

Lansing Tax Increment Finance Authority (TIFA)
Board of Directors Meeting
Friday, January 10, 2025 – 8:30 A.M.
Lansing EDC Office - 401 S. Washington Sq. Suite 101, Lansing, MI 48933

MINUTES

Members Present: Chair - Shelley Davis Boyd, Vice-Chair - Calvin Jones, Treasurer - Catherine Rathbun, Sandra Lupien, Jonathan Smith

Members Absent: Dr. Alane Laws-Barker, Chaz Carrillo, Jordan Sutton, Rawley Van Fossen

Staff Present: Kris Klein, Brandy Standler, Aurelius Christian, Alex Watkins, Chelsea Dowler, Kahleea Washington, and Shay Manawar

Guests: None

Call to Order

Chair Davis Boyd called the Lansing Tax Increment Finance Authority meeting to order at 9:11 A.M.

Approval of TIFA Board Meeting Minutes – Friday, December 06, 2024 (ACTION)

MOTION: Member Rathbun moved to approve the TIFA meeting minutes from the Friday, December 06, 2024, Board of Directors meeting, as presented. The motion was supported by Member Smith.

YEAS: Unanimous, motion carried.

Update TIFA Act Amendments

The legislation was not brought up in the House of Representatives before the end of the year. The plan is to reintroduce this year.

Open Forum for TIFA Board Members

None.

Other Business

None.

Public Comment

None.

Adjournment

Chair Davis Boyd called the Lansing Tax Increment Finance Authority meeting to adjournment at 9:13 A.M.



Kris Klein, Vice President
Lansing Economic Development Corporation (LEDC)



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December 10, 2024

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, 2024. 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 October 31, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Tax Increment Finance Authority of the City of Lansing are described in Note 1 to the financial statements. 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

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements that were detected as a result of audit procedures. The misstatements that were corrected by management related to various year-end accrual adjustments.

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 10, 2024.

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,

Maney Costeiran PC

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

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

YEAR ENDED JUNE 30, 2024

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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, 2024, 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, 2024, 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, changes in net position, or where applicable, its cash flows of the City of Lansing, Michigan, as of June 30, 2024, and the changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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 10, 2024, 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.

Manes Costeiran PC

December 10, 2024

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, 2024.

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 inflows 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 - governmental 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 \$26,497,436 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	
	2024	2023
Assets		
Current and other assets	\$ 14,471,561	\$ 10,492,155
Liabilities		
Current liabilities	1,787,508	1,567,315
Noncurrent liabilities	38,273,501	39,624,765
Total liabilities	40,061,009	41,192,080
Deferred Inflows	907,988	1,019,672
Net Position		
Restricted for debt service	153,435	276,027
Unrestricted (deficit)	(26,650,871)	(31,995,624)
Total net position	\$ (26,497,436)	\$ (31,719,597)

When comparing the current fiscal year to the previous fiscal year, net position increased by \$5,222,161, as compared to the prior year increase in net position of \$3,434,141. This change is mainly due to an increase in tax capture revenue.

	Governmental Activities	
	2024	2023
Revenues		
General revenues	\$ 6,885,154	\$ 5,057,055
Expenses	1,662,993	1,622,914
Change in net position	5,222,161	3,434,141
Net position, beginning of year	(31,719,597)	(35,153,738)
Net position, end of year	\$ (26,497,436)	\$ (31,719,597)

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 \$14,471,561, an increase of \$3,979,406 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 \$42,363 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 \$39,923,233. 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	
	2024	2023
General obligation bonds	\$ 28,165,000	\$ 28,215,000
Contract Payable		
Principal	10,009,580	10,009,580
Accreted interest	1,748,653	2,826,676
Total outstanding debt	<u>\$ 39,923,233</u>	<u>\$ 41,051,256</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, 2024

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 12,500,390
Due from other governmental units	1,679,960
Restricted cash, cash equivalents, and investments	<u>291,211</u>
 TOTAL ASSETS	 <u>14,471,561</u>
LIABILITIES	
Current liabilities	
Current portion of accrued interest payable	104,998
Current portion of long-term obligations	<u>1,682,510</u>
 Total current liabilities	 <u>1,787,508</u>
Noncurrent liabilities	
Accrued interest payable, net of current portion	32,778
Long-term obligations, net of current portion	<u>38,240,723</u>
 Total noncurrent liabilities	 <u>38,273,501</u>
 TOTAL LIABILITIES	 <u>40,061,009</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on bond refunding	<u>907,988</u>
NET POSITION	
Restricted for debt service	153,435
Unrestricted (deficit)	<u>(26,650,871)</u>
 TOTAL NET POSITION	 <u><u>\$ (26,497,436)</u></u>

See accompanying notes to financial statements.

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Governmental Activities
EXPENSES	
Development expenses	\$ 347,560
Interest and fees on long-term debt	<u>1,315,433</u>
TOTAL EXPENSES	<u>1,662,993</u>
GENERAL REVENUES	
Property taxes	6,881,202
Other income	154
Investment income	<u>3,798</u>
TOTAL GENERAL REVENUES	<u>6,885,154</u>
CHANGE IN NET POSITION	5,222,161
Net position, beginning of the year	<u>(31,719,597)</u>
Net position, end of the year	<u><u>\$ (26,497,436)</u></u>

See accompanying notes to financial statements.

**TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2024**

	<u>General</u>
ASSETS	
Cash and cash equivalents	\$ 12,500,390
Restricted cash, cash equivalents, and investments	291,211
Due from other governmental units	<u>1,679,960</u>
TOTAL ASSETS	<u><u>\$ 14,471,561</u></u>
FUND BALANCE	
Restricted for debt service	\$ 291,211
Unassigned	<u>14,180,350</u>
TOTAL FUND BALANCE	<u><u>\$ 14,471,561</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, 2024**

Total fund balance - governmental fund \$ 14,471,561

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 fund balance sheet. Long-term liabilities and related items at year-end consist of:

Long-term obligations	\$ (38,174,580)	
Deferred gain on bond refunding	(907,988)	
Accrued and accreted interest on long-term obligations	<u>(1,886,429)</u>	
		<u>(40,968,997)</u>
Net position of governmental activities		<u><u>\$ (26,497,436)</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, 2024**

	<u>General</u>
REVENUES	
Property taxes	\$ 6,881,202
Other income	154
Investment income	<u>3,798</u>
TOTAL REVENUES	<u>6,885,154</u>
EXPENDITURES	
Current	
General government	
Operating	347,560
Debt service	
Principal, interest, fiscal, and other charges	<u>2,558,188</u>
TOTAL EXPENDITURES	<u>2,905,748</u>
NET CHANGE IN FUND BALANCE	3,979,406
Fund balance, beginning of year	<u>10,492,155</u>
Fund balance, end of year	<u><u>\$ 14,471,561</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, 2024**

Net change in fund balance - governmental fund **\$ 3,979,406**

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

Payments on long-term obligations	1,558,136
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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>(427,065)</u>	
		<u>(315,381)</u>
Change in net position of governmental activities		<u><u>\$ 5,222,161</u></u>

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 2023 taxable valuation of the City approximated \$2.80 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 \$6.9 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 \$(26,650,871), 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 \$14,471,561 and unassigned fund balance amounts to \$14,180,350.

NOTE 3 - DEPOSITS AND INVESTMENTS

Following is a reconciliation of deposit balances as of June 30, 2024:

Statement of net position	
Cash and cash equivalents	\$ 12,500,390
Restricted cash, cash equivalents, and investments - current	<u>291,211</u>
Total	<u><u>\$ 12,791,601</u></u>
Deposits and investments	
Cash and cash equivalents in money market accounts and pooled cash at the City of Lansing	\$ 12,755,934
Investments	<u>35,667</u>
	<u><u>\$ 12,791,601</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 depository 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.

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

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

As of June 30, 2024, the Authority's investments consisted of U.S. government debt securities totaling \$35,667. 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.

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>\$ 35,667</u>
---------------------	------------------

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>\$ 35,667</u>	<u>\$ -</u>	<u>\$ 35,667</u>

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

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.

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligations of the Authority for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Amounts Due Within One Year
General obligation bonds	\$ 28,215,000	\$ -	\$ (50,000)	\$ 28,165,000	\$ 915,000
Direct borrowings and direct placements contract payable	10,009,580	-	-	10,009,580	-
Total	38,224,580	-	(50,000)	38,174,580	915,000
Add accreted interest on contract payable	2,826,676	430,113	(1,508,136)	1,748,653	767,510
	<u>\$ 41,051,256</u>	<u>\$ 430,113</u>	<u>\$ (1,558,136)</u>	<u>\$ 39,923,233</u>	<u>\$ 1,682,510</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 1.145% to 2.793% through 2039 (limited tax, general obligation). 4,285,000

Total general obligation bonds \$ 28,165,000

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

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Direct Borrowings and Direct Placements

\$49,660,000 1994 contract payable due in annual installments ranging from \$136,303 to \$2,052,536 through 2035. Interest is charged semi-annually at 3.35%. Any unpaid interest in a given year is accreted. \$ 10,009,580

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
2025	\$ 915,000	\$ 999,528	\$ -	\$ 390,209
2026	1,615,000	972,574	-	377,482
2027	1,940,000	921,526	247,054	348,434
2028	1,655,000	858,472	616,773	323,121
2029	1,870,000	802,924	655,408	302,376
2030-2034	8,850,000	3,031,126	7,856,440	1,030,843
2035-2039	9,680,000	1,437,002	633,905	36,532
2040	1,640,000	33,415	-	-
	<u><u>\$ 28,165,000</u></u>	<u><u>\$ 9,056,567</u></u>	<u><u>\$ 10,009,580</u></u>	<u><u>\$ 2,808,997</u></u>

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 \$344,060. 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 PRONOUNCEMENTS

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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

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

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

NOTE 9 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2024

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,853,797	\$ 6,888,202	\$ 6,881,202	\$ (7,000)
Other income	-	-	154	154
Investment income	77,000	78,000	3,798	(74,202)
TOTAL REVENUES	4,930,797	6,966,202	6,885,154	(81,048)
EXPENDITURES				
Current				
General government				
Operating	242,340	355,880	347,560	8,320
Debt service				
Principal, interest, fiscal, and other charges	2,515,825	2,515,825	2,558,188	(42,363)
TOTAL EXPENDITURES	2,758,165	2,871,705	2,905,748	(34,043)
NET CHANGE IN FUND BALANCE	2,172,632	4,094,497	3,979,406	(115,091)
Fund balance, beginning of year	10,492,155	10,492,155	10,492,155	-
Fund balance, end of year	<u>\$ 12,664,787</u>	<u>\$ 14,586,652</u>	<u>\$ 14,471,561</u>	<u>\$ (115,091)</u>

TAX INCREMENT FINANCE AUTHORITY OF THE CITY OF LANSING
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2024

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, 2024, 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			
Debt Service			
Principal, interest, fiscal, and other charges	<u>\$ 2,515,825</u>	<u>\$ 2,558,188</u>	<u>\$ 42,363</u>



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

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, 2024, 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 10, 2024.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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 2024-001, that we consider to be a material weakness.

2024-001 MATERIAL JOURNAL ENTRIES

Condition: Material journal entries for the proper recognition of various financial statement amounts within the Authority'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 late November 2024), each of which contained material corrections to previous trial balances. A similar issue was noted and reported last year as 2023-001.

2024-001 MATERIAL JOURNAL ENTRIES (continued)

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: 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 Authority 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. At the end of fiscal year 2024, Finance implemented 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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.

Maney Costeiran PC

December 10, 2024