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 LBRA Board Meeting Minutes – Friday, January 10, 2025
3. LBRA FY2023/2024 Audited Financial Statements (ACTION)
4. New Vision Lansing TBP Updates
5. Open Forum for LBRA Board Members
6. Other Business
7. Public Comment
8. Adjournment

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 meeting to order at 9:04 A.M.

Approval of LBRA Board Meeting Minutes – Friday, December 06, 2024 (ACTION)
MOTION: Member Jones moved to approve the LBRA meeting minutes from the Friday, December 06, 2024 Board of Directors meeting, as presented. Member Smith supported the motion.

YEAS: Unanimous, motion carried.

New Vision Lansing TPB Updates
Klein discussed that additional agreements will be up for approval. Projects will soon be underway. Some work has begun on the Washington Square project. Member Smith requested a timeline/dashboard. Klein discussed having a one-pager prepared.

Open Forum for LBRA Board Members
None.

Other Business
None.

Public Comment
None.

Adjournment
Chair Davis Boyd called the Lansing Brownfield Redevelopment Authority meeting to adjourn at 9:11 A.M.

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

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

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 Lansing Brownfield Redevelopment Authority
Lansing, Michigan

We have audited the financial statements of the governmental activities and the major fund of the Lansing Brownfield Redevelopment Authority (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.

<u>Significant Audit Findings</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Lansing Brownfield Redevelopment Authority are described in Note 1 to the financial statements. We noted no transactions entered into by the Lansing Brownfield Redevelopment 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:

> The Authority is party to loan agreements in which the associated loans are expected to be repaid by future collections of tax increment revenues related to the properties being redeveloped. Because of the uncertainty of future tax captures, management has estimated the collectability of such receivables to be zero and, therefore, no balance is reported in either the government-wide or fund financial statements.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements 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 required supplementary information (RSI) which are required and 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 City Council, the Board of Directors, and management of the City and the Lansing Brownfield Redevelopment Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

LANSING BROWNFIELD
REDEVELOPMENT AUTHORITY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED JUNE 30, 2024

Maner
Costerisan

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Maner Costerisan

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor, Members of the City Council,
and Members of the Board of Directors of the
Lansing Brownfield Redevelopment Authority
Lansing, Michigan

Opinion

We have audited the accompanying financial statements of the governmental activities and the major fund of the Lansing Brownfield Redevelopment Authority (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 Lansing Brownfield Redevelopment Authority, 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 Lansing Brownfield Redevelopment Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Exclusive Presentation

As discussed in Note 1, the financial statements present only the Lansing Brownfield Redevelopment Authority and do not purport to, and do not present fairly the financial position of the City of Lansing, Michigan, as of June 30, 2024, and the changes in its financial position, or when applicable, its cash flows, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with 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 budgetary comparison information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Lansing Brownfield Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Maner Costerisan PC

December 10, 2024

The Lansing Brownfield Redevelopment Authority (the "Authority") was established by the City of Lansing (the "City") on August 17, 1997, pursuant to Public Act 381 of 1996. The Authority presents this management 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 and liabilities, with the difference between the two 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, liabilities, and deferred inflows of resources, with the residual 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 fiscal position. As shown in the table below, the Authority's liabilities exceeded assets by $34.3 million at the end of the fiscal year.

	Governmental Activities	
	2024	2023
Assets		
Current and other assets	$ 7,994,214	$ 10,694,881
Liabilities		
Other liabilities	5,130,011	5,645,863
Noncurrent liabilities	37,126,485	38,038,001
Total liabilities	42,256,496	43,683,864
Net Position (deficit)		
Restricted	1,992,859	2,312,115
Unrestricted (deficit)	(36,255,141)	(35,301,098)
Total net position (deficit)	$ (34,262,282)	$ (32,988,983)

	Governmental Activities 2024	Governmental Activities 2023
Revenues		
Program revenue		
Charges for services	$ 15,000	$ -
Operating grants and contributions	4,941	-
General revenues		
Property taxes	10,692,066	8,793,323
Investment earnings	352,154	233,331
Total revenues	11,064,161	9,026,654
Expenses		
Community and economic development	10,895,707	9,994,429
Interest and fees on long-term debt	1,441,753	1,464,843
Total expenses	12,337,460	11,459,272
Change in net position	(1,273,299)	(2,432,618)
Net position (deficit), beginning of year	(32,988,983)	(30,556,365)
Net position (deficit), end of year	$ (34,262,282)	$ (32,988,983)

When comparing the current fiscal year to the previous fiscal year, net position has decreased by approximately $1.3 million, as compared to a decrease of approximately $2.4 million in the prior year. The primary reason for this decrease is disbursements related to the Red Cedar project that were funded by bond proceeds that commenced in the prior year. The revenues recognized in the current year are reported to offset the expenses related to redevelopment projects that are not capitalizable by the Authority.

Property tax revenues increased, and redevelopment expenses increased for the year ended June 30, 2024 due to an increase in amounts captured related to project plans that were initiated during the year, as well as continued capture on previously existing plans. Increase in redevelopment plans is due to large projects in the prior year that are continuing construction in the current year.

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 approximately $4.3 million, a decrease of approximately $1.9 million in comparison to the prior year. The reasons for changes in activity for the general fund are due to community development projects activity, along with debt service requirements, were less than the tax capture received in the current year.

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. Accordingly, the budget was amended during the year for Brownfield plan amendments and additional intergovernmental grants received, as well as unexpended multi-year grants not included in the original budget.

Additional variances between the final budget and the actual were the result of multi-year grants received in prior and current years that were spent in the current fiscal year.

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

Long-term Obligation Administration

At the end of the current fiscal year, the Authority had total long-term obligations outstanding of $38,155,324.

	Principal Balance June 30, 2023	Debt Proceeds	Principal Payments	Principal Balance June 30, 2024
Revenue bonds	$ 39,095,000	$ -	$ (730,000)	$ 38,365,000
Loan payable	476,820	-	-	476,820
Unamortized premium/ (discount) on bonds	(712,759)	-	26,263	(686,496)
	$ 38,859,061	$ -	$ (703,737)	$ 38,155,324

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

Economic Factors

Lansing Brownfield Redevelopment Authority 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 Lansing Brownfield Redevelopment Authority 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

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	$ 6,001,355
Cash and cash equivalents - restricted	1,909,530
Current portion of loans receivable	45,410
Total current assets	7,956,295
Noncurrent assets	
Long-term loans receivable	37,919
TOTAL ASSETS	7,994,214
LIABILITIES	
Current liabilities	
Accounts payable	3,702,966
Accrued interest payable	398,206
Current portion of long-term obligations	1,028,839
Total current liabilities	5,130,011
Noncurrent liabilities	
Long-term obligations, net of current portion	37,126,485
TOTAL LIABILITIES	42,256,496
NET POSITION (DEFICIT)	
Restricted for Red Cedar Project	1,909,530
Restricted for EPA Loan	83,329
Unrestricted	(36,255,141)
TOTAL NET POSITION (DEFICIT)	$ (34,262,282)

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenues and Change in Net Position
Governmental activities				
Community and economic development	$ 10,895,707	$ 15,000	$ 4,941	$ (10,875,766)
Interest and fees on long-term debt	1,441,753	-	-	(1,441,753)
	$ 12,337,460	$ 15,000	$ 4,941	(12,317,519)
General revenues				
Property taxes				10,692,066
Investment earnings				352,154
Total general revenues				11,044,220
Change in net position				(1,273,299)
Net position (deficit), beginning of the year				(32,988,983)
Net position (deficit), end of the year				$ (34,262,282)

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
BALANCE SHEET
JUNE 30, 2024

		General
ASSETS		
Cash and cash equivalents	$	6,001,355
Cash and cash equivalents - restricted		1,909,530
Loans receivable		83,329
TOTAL ASSETS	$	7,994,214
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	$	3,702,966
FUND BALANCE		
Restricted for Red Cedar Project		1,909,530
Restricted for EPA Loan		83,329
Unassigned		2,298,389
TOTAL FUND BALANCE		4,291,248
TOTAL LIABILITIES AND FUND BALANCE	$	7,994,214

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balance - governmental fund		$ 4,291,248
Amounts reported for the governmental activities in the statement of net position are different because:		
Long-term obligations and related liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term obligations and related liabilities at year-end consist of:		
Accrued interest payable	$ (398,206)	
Bonds and loans payable	(38,155,324)	
		(38,553,530)
Net position of governmental activities		$ (34,262,282)

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2024

	General
REVENUES	
Property taxes	$ 10,692,066
Charges for services	15,000
Investment earnings	352,154
Other	4,941
TOTAL REVENUES	11,064,161
EXPENDITURES	
Current	
Community and economic development	
Administrative	534,667
Community development projects	10,361,040
Debt service	2,081,648
TOTAL EXPENDITURES	12,977,355
NET CHANGE IN FUND BALANCE	(1,913,194)
Fund balance, beginning of year	6,204,442
Fund balance, end of year	$ 4,291,248

See accompanying notes to financial statements.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
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	$ (1,913,194)
Amounts reported for governmental activities in the statement of activities are different because:	
Repayment of long-term debt and borrowings of long-term debt 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:	
Change in deferred issuance discounts on long-term debt	(26,263)
Principal payments on long-term obligations	730,000
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:	
Change in accrued interest payable	(63,842)
Change in net position of governmental activities	$ (1,273,299)

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements present the activities of the Lansing Brownfield Redevelopment Authority (the "Authority"). The Authority was established August 17, 1997, pursuant to Public Act 381 of 1996. The primary purpose of the Authority is to revitalize environmentally distressed areas in the City of Lansing. The Authority's activities are primarily funded through tax increment financing.

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of the Authority. The Authority is a component unit of the City of Lansing, Michigan (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. 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 not properly included among program revenues are reportable instead 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 three months of the end of the current fiscal period or one-year for expenditure-driven grants. 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, intergovernmental revenue, 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Inflows of Resources, and Equity

Cash and Cash Equivalents

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

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

State statutes authorize the Authority to invest in:

a. Bonds, securities, other obligations and repurchase agreements 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 qualified financial institution.

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. Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.

f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

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

Loans Receivable

The Authority is party to loan agreements which amount to funds advanced to local corporations 1) under the Brownfield Cleanup Revolving Loan Fund program of the U.S. Environmental Protection Agency and 2) under the Brownfield Local Sight Remediation Revolving Loan Fund (LSRLF). The LSRLF consists of certain local tax captures.

Due from/to Other Governmental Units

Amounts due from other governments include amounts due from grantors for specific programs and capital projects and for captured property tax revenues not received by the Authority as of year end. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Amounts received in advance of projects costs being incurred are reported as unearned revenue, when applicable. Amounts due to other governments are negative pooled cash amounts the Authority has in the common cash account at the City of Lansing. While cash in total is positive, the Authority's component of pooled cash is negative creating a short-term liability of the Authority.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accounts Payable

The Authority's accounts payable primarily relate to tax captures due to developers.

Fund Balances

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 fund balance, as the Board of Directors has not yet given the authority for the making of such assignments. Unassigned fund balance is the residual classification for the general fund.

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

Use of Estimates

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

NOTE 2 - BUDGETARY INFORMATION

The Authority has established the following procedures for determining the budgetary data presented in the accompanying required supplementary information to the 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. 621). 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.

NOTE 2 - BUDGETARY INFORMATION (continued)

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.

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	$ 6,001,355
Cash and cash equivalents - restricted	1,909,530
	$ 7,910,885
Deposits	
Deposits	$ 6,001,355
Uncategorized pooled investments	1,909,530
	$ 7,910,885

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, $5,501,355 of the Authority's bank balance of $6,001,355 was exposed to custodial credit risk because it was uninsured and uncollateralized for the accounts that were specifically held in the Authority's name.

A portion of the Authority's deposits throughout the year are held by the City of Lansing, Michigan. Those specific deposit 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 has a negative balance in pooled cash with the City at year-end. As a result, this short-term liability is not shown as negative cash but instead shown as a due to other governmental units.

The investment policy the Authority follows 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.

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. No investments had credit risk at year end.

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.

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.

Investment Type	Level 1	Level 2	Level 3	Total
Uncategorized pooled investments	$ -	$ 1,909,530	$ -	$ 1,909,530

NOTE 4 - RECEIVABLES

Fair Value Measurements (continued)

Receivables of governmental activities are comprised of loans receivable funded by the U.S. Environmental Protection Agency (EPA) revolving loan funds, consisted of the following at June 30, 2024:

EPA Brownfield Revolving Loan Fund loan receivable from Sam Eyde Management, Inc. for cleanup related to the property located at 4000 N. Grand River Avenue in the City. Interest is accreted at 3.0% per annum. All unpaid principal and accreted interest is due in full on March 12, 2026.	$	37,919
EPA Brownfield Revolving Loan Fund loan receivable from the City of Lansing Economic Development Corporation. Interest is stated at 0%. Repayment is due in an amount of $45,410 on January 1, 2023.		45,410
	$	83,329

Of the above loans, approximately $37,919 is not expected to be collected within one year.

The Authority is also party to loan agreements, some funded by EPA revolving loan funds and others funded by local tax captures, in which the associated loans are expected to be repaid by future collections of tax increment revenues related to the properties being cleaned up. The liability of the local corporations is limited to any shortfalls in future collection of tax increment revenues. Because the balances that may eventually be collected from outside parties is not reasonably estimable due to the uncertainty of future tax captures, no balance is reported in either the government-wide or fund financial statements.

NOTE 4 - RECEIVABLES (continued)

The outstanding balance of such loans at June 30, 2024, consisted of the following:

EPA Brownfield Revolving Loan Fund loan to Brownfield Development Specialists, LLC for cleanup related to the "Dard Building" in the City. Interest is stated at 0%.	$ 173,515
Locally funded Brownfield Revolving Loan Fund loan to the High Grade Material Company for demolition and cleanup related to a single parcel of property in the City. Interest is accreted at 5.0% per annum.	339
EPA Brownfield Revolving Loan Fund loan to the City of Lansing Economic Development Corporation related to property formerly owned by the City of Lansing Board of Water and Light. Interest is stated at 0%.	363,687
Locally funded Brownfield Revolving Loan Fund loan receivable to the City for cleanup related to a redevelopment of the former Potter Mill property. Interest is stated at 0%.	82,095
Locally funded Brownfield Revolving Loan Fund loan receivable to 515 Ionia, LLC for cleanup related to redevelopment of the Company's property. Interest is stated at 3%.	246,691
MDEQ Revitalization Revolving Loan to 2200 Block, LLC for development of the Provident Place property. Interest is stated at 1.5% and does not begin accruing until five years from the loan effective date.	479,401
Locally funded project by debt issuance, secured solely by tax increments from the development of the Red Cedar project. Initial interest rate at 3.59%.	33,299,114
Locally funded Brownfield Revolving Loan Fund loan receivable to the City for cleanup related to a redevelopment of the former Temple Lofts property. Interest is stated at 1%.	242,608
Locally funded Brownfield Revolving Loan Fund receivable for brownfield planning activities related to the NEOGEN Properties VIII, LLC redevelopment of the 1000 S. Hosmer St. property in the City of Lansing. Interest is stated at 0%.	702
Locally funded Brownfield Revolving Loan Fund loan receivable to the City related to a redevelopment of the former City Market property. Interest is stated at 3.25%.	220,407
Locally funded Brownfield Revolving Loan Fund loan receivable to the City for redevelopment of a property on the 900 block of West Saginaw Street. Interest is stated at 1.5%.	98,192
	$ 35,206,751

NOTE 5 - LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions 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
Revenue bonds	$ 39,095,000	$ -	$ (730,000)	$ 38,365,000	$ 895,000
Direct borrowings and direct placements					
Loan payable	476,820	-	-	476,820	133,839
Unamortized premium/(discount) on bonds	(712,759)	-	26,263	(686,496)	-
	$ 38,859,061	$ -	$ (703,737)	$ 38,155,324	$ 1,028,839

Revenue Bonds

$9,660,000 Limited Obligation Tax Increment Revenue Bonds Series 2020-1A, due in annual installments of $220,000 to $530,000 through June 2050, with interest ranging from 3.590% to 4.800%, payable annually.	$ 9,230,000
$9,600,000 Limited Obligation Tax Increment Revenue Bonds Series 2020-1B, due in annual installments of $220,000 to $525,000 through June 2050, with interest ranging from 3.590% to 4.800%, payable annually.	9,175,000
$9,130,000 Limited Obligation Tax Increment Revenue Bonds Series 2020-2, due in annual installments of $255,000 to $425,000 through June 2050, with interest ranging from 3.450% to 4.650%, payable annually.	8,665,000
$10,065,000 Limited Obligation Tax Increment Revenue Bonds Series 2021A, due in annual installments of $35,000 to $960,000 beginning in June 2024 and through June 2051, with interest ranging from 3.650% to 4.900%, payable annually.	10,030,000
$1,265,000 Limited Obligation Tax Increment Revenue Bonds Series 2021B, due in annual installments of $35,000 to $165,000 beginning in June 2026 and through June 2035, with interest at 5.000%, payable annually.	1,265,000
Total revenue bonds	$ 38,365,000

Direct Borrowings and Direct Placements

$500,000 Revitalization Revolving Loan, due in annual installments of $42,147 to $48,913 through December 2033, with interest of 1.50%, payable annually.	$ 476,820

NOTE 5 - LONG-TERM OBLIGATIONS (continued)

Pledged Revenues

The Authority has pledged certain tax increment revenue to repay the $38,365,000 in tax increment revenue bonds issued in previous years. Proceeds from the bonds provided financing for the construction costs of eligible activities and infrastructure improvements in accordance with a Brownfield Redevelopment Plan. The bonds are payable solely from tax capture and are payable through 2051. The total principal and interest paid for the current year and total tax capture revenue were $730,000 and $1,351,648, respectively.

Annual debt service requirements to maturity for the Authority's bonds payable and direct borrowing and direct placements are as follows:

Year Ending June 30,	Revenue Bonds Principal	Revenue Bonds Interest	Direct Borrowings and Direct Placements Principal	Direct Borrowings and Direct Placements Interest
2025	$ 895,000	$ 1,325,778	$ 133,839	$ 12,900
2026	1,000,000	1,559,571	43,421	5,492
2027	1,125,000	1,321,047	44,072	4,841
2028	1,180,000	1,279,393	44,733	4,180
2029	1,085,000	1,480,725	45,404	3,509
2030-2034	6,475,000	6,633,498	165,351	7,123
2035-2039	9,530,000	5,098,508	-	-
2040-2044	8,090,000	3,641,453	-	-
2045-2049	8,025,000	1,824,250	-	-
2050-2051	960,000	197,585	-	-
	$ 38,365,000	$ 24,361,808	$ 476,820	$ 38,045

The Authority's outstanding notes from direct borrowings and direct placements related to governmental activities of $476,820 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

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 Ingham County. 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.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Economic Development Corporation of the City of Lansing (the "Corporation") provides administrative services to the Authority. Administrative services, consisting of operating costs and reimbursement of project expenses, charged to the Authority by the Corporation totaled $272,634 for the year ended June 30, 2024.

NOTE 8 - TAX ABATEMENTS

The Authority provides tax abatements under the following program:

> The Authority encourages environmental cleanup and economic development through its *Brownfield Redevelopment Plan* under Public Act 318. A developer performs redevelopment and cleanup activities at a site that is obsolete or blighted. The increased tax revenues resulting from the increase in taxable value are captured by the City and used to repay the developer for qualifying expenses. There is no provision for recovery of abated taxes because the developer is only paid for eligible expenses on a reimbursement-basis. Property taxes abated by the Authority under this program for fiscal year 2024, through direct reimbursement to developers from current tax captures amounted to $5,352,693.

In addition, there are reserve liabilities reported in the financial statements as a component of accounts payable that represent tax captures set aside for future developer reimbursements. Property taxes abated by the Authority under this program for fiscal year 2024, amounted to $828,347.

NOTE 9 - 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 10 - NET POSITION/FUND BALANCE

The statement of net position shows an unrestricted deficit of $(34,262,282) which is due to the full accrual accounting of all long-term debt, without reflecting a corresponding receivable for tax captures to be received in future periods (which cannot be accrued in accordance with generally accepted accounting principles). Total fund balance amounts to a positive balance of $4,921,248. Fund balance at year end consists of $1,909,530 restricted for unspent bond proceeds, restricted for EPA loan of $83,329, and unassigned fund balance amounts $2,298,389.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

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;

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;

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

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.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. 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

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
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	$ 8,802,132	$ 10,551,695	$ 10,692,066	$ 140,371
Charges for services	15,000	15,000	15,000	-
Investment earnings	-	300,000	352,154	52,154
Other	117,944	167,481	4,941	(162,540)
TOTAL REVENUES	8,935,076	11,034,176	11,064,161	29,985
EXPENDITURES				
Current				
Community and economic development				
Administrative	275,594	321,839	534,667	(212,828)
Community development projects	8,659,482	10,712,337	10,361,040	351,297
Debt service	-	-	2,081,648	(2,081,648)
TOTAL EXPENDITURES	8,935,076	11,034,176	12,977,355	(1,943,179)
NET CHANGE IN FUND BALANCE	-	-	(1,913,194)	(1,913,194)
Fund balance, beginning of year	6,204,442	6,204,442	6,204,442	-
Fund balance, end of year	$ 6,204,442	$ 6,204,442	$ 4,291,248	$ (1,913,194)

NOTE 1 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The approved budget of the Authority has been adopted at the activity level for the General Fund.

During the year ended June 30, 2024, the Authority incurred expenditures in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Current			
Community and Economic Development	$ 321,839	$ 534,667	$ 212,828
Debt Service	-	2,081,648	2,081,648

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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,
and Members of the Board of Directors of the
Lansing Brownfield Redevelopment Authority
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 Lansing Brownfield Redevelopment Authority (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 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 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2024-002 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the Authority's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for administrative costs and debt service.

Criteria: The Uniform Budgeting and Accounting Act requires the Authority 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." 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."

2024-002 UNFAVORABLE BUDGET VARIANCES (continued)

Cause: The Authority 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 Authority is not in compliance with Public Act 621 of 1978, as amended.

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

Corrective Action Response: The Authority will continue to make improvements in control of revenue and expenditures and budget conservatively in order to maintain the Authority's fiscal health. The City has a Chief Strategy Officer/Budget Director and is working with departments to be more proactive and responsive to Authority needs and to identify necessary changes during the fiscal year. Correcting this issue will be one of their principal tasks. Upgrades to the City's financial software 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.

Maner Costerisan PC

December 10, 2024