

Downtown Development Authority of
the City of Lapeer, Michigan

Year Ended
June 30, 2022

Financial
Statements

Rehmann

Downtown Development Authority of the City of Lapeer, Michigan

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Financial Statements for the Year Ended June 30, 2022	
Statement of Net Position and Balance Sheet - Governmental Fund	11
Statement of Activities and Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Fund	12
Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual - General Fund	13
Notes to Financial Statements	15
Internal Control and Compliance	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with <i>Government Auditing Standards</i>	22

Independent Auditors' Report

November 30, 2022

Board of Directors
Downtown Development Authority
Lapeer, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the General Fund of the ***Downtown Development Authority of the City of Lapeer, Michigan*** (the "Authority"), a component unit of the City of Lapeer, Michigan, as of and for the year ended June 30, 2022, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Authority, as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year ended in conformity 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 (GAAS) 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 Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' 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 auditors' 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 GAAS 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 GAAS 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 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 November 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Downtown Development Authority of the City of Lapeer, Michigan

Management's Discussion and Analysis

As management of the Downtown Development Authority of the City of Lapeer (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$678,049 (net position). Of this amount, \$76,816 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The General Fund received \$333,317 in program and general revenues. The General Fund had \$317,166 in expenditures. The General Fund balance increased to \$76,816 from \$60,665.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Authority's assets 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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority maintains one governmental fund.

Downtown Development Authority of the City of Lapeer, Michigan

Management's Discussion and Analysis

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating an Authority's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds (modified accrual) statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Authority adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management's discussion and analysis.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority assets exceeded liabilities by \$678,049 at the end of the June 30, 2022 fiscal year.

Downtown Development Authority of the City of Lapeer, Michigan

Management's Discussion and Analysis

Summary of Net Position

	2022	2021
Assets		
Current and other assets	\$ 120,517	\$ 81,807
Capital assets, net	601,233	614,837
Total assets	<u>721,750</u>	<u>696,644</u>
Liabilities		
Other liabilities	<u>43,701</u>	<u>21,142</u>
Net position		
Investment in capital assets	601,233	614,837
Unrestricted	<u>76,816</u>	<u>60,665</u>
Total net position	<u>\$ 678,049</u>	<u>\$ 675,502</u>

The net position is separated into two major components; investment in capital assets (land, buildings, and machinery and equipment), which amounted to \$601,233 and unrestricted net position of \$76,816.

The Authority's net position increased by \$2,547 during the current fiscal year.

Statement of Activities

	2022	2021
Revenues		
Program revenues:		
Operating grants and contributions	\$ 209,296	\$ 142,160
General revenues:		
Property taxes	120,966	117,475
Other	3,055	9,753
Total revenues	<u>333,317</u>	<u>269,388</u>
Expenses		
General government	293,046	253,278
Contributions to primary government	37,724	48,646
Total expenses	<u>330,770</u>	<u>301,924</u>
Change in net position	2,547	(32,536)
Net position:		
Beginning of year	<u>675,502</u>	<u>708,038</u>
End of year	<u>\$ 678,049</u>	<u>\$ 675,502</u>

Downtown Development Authority of the City of Lapeer, Michigan

Management's Discussion and Analysis

Total revenue increased by \$63,929 during the year due to additional grant and event income.

Total expenses increased by \$28,846 during the year, which is mainly due to additional downtown grants and special events/promotions.

The change in net position differs from the change in fund balance because of different accounting requirements. A reconciliation appears in the notes to the financial statements.

Summary of Fund Financial Statements

Governmental fund. As noted earlier, the focus of the governmental fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's governmental fund reported an ending fund balance of \$76,816 an increase of \$16,151 from the prior year. \$175 is considered nonspendable for prepaids and the remaining fund balance in considered unassigned, which is available for spending at the government's discretion.

General Fund Budgetary Highlights

During the year, there was a decrease in the net change in fund balance between the original and final amended budget of \$5,600. Revenues and expenditures between the original and final amended budget increased by \$25,000 and \$30,600, respectively, which was due to additional grant revenue and grant expenses.

The General Fund actual change in fund balance was an increase of \$16,151. Significant budgetary variances are as follows:

- Donations revenue was under budget by \$4,843 due to less revenue received than budgeted.
- Special events/promotions revenue was over budget by \$5,382 due to additional events in FY21-22.
- Contributions from primary government were under budget by \$7,266 due to less contributions for CIP projects.
- CIP funded project expenditures were under budget by \$8,744 due to less capital than anticipated.

Capital Assets

As of June 30, 2022, the Authority had \$601,233 in capital assets consisting of land, buildings and various pieces of equipment and machinery, net of accumulated depreciation.

Additional information can be found in Note 4 to the financial statements.

Downtown Development Authority of the City of Lapeer, Michigan

Management's Discussion and Analysis

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Authority's budget for the 2022-2023 fiscal year:

- Property tax revenue is budgeted conservatively, with small increases.
- Event revenue is still unknown due to the COVID-19 pandemic.
- A more active/involved sponsorship/fundraising drive by the Authority.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Lapeer, Director of Financial Services, 576 Liberty Park, Lapeer, MI 48446.



BASIC FINANCIAL STATEMENTS

Downtown Development Authority of the City of Lapeer, Michigan

Statement of Net Position and Balance Sheet

Governmental Fund

June 30, 2022

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 120,026	\$ -	\$ 120,026
Receivables	316	-	316
Prepays	175	-	175
Capital assets not being depreciated	-	154,000	154,000
Capital assets being depreciated, net	-	447,233	447,233
Total assets	<u>120,517</u>	<u>601,233</u>	<u>721,750</u>
Liabilities			
Accounts payable	\$ 10,113	-	10,113
Due to primary government	13,588	-	13,588
Unearned Revenue	20,000	-	20,000
Total liabilities	<u>43,701</u>	<u>-</u>	<u>43,701</u>
Fund balance			
Nonspendable	175	(175)	-
Unassigned	76,641	(76,641)	-
Total fund balance	<u>76,816</u>	<u>(76,816)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 120,517</u>		
Net position:			
Investment in capital assets		601,233	601,233
Unrestricted		76,816	76,816
Total net position		<u>\$ 678,049</u>	<u>\$ 678,049</u>

The accompanying notes are an integral part of these basic financial statements.

Downtown Development Authority of the City of Lapeer, Michigan

Statement of Activities and Statement of Revenues, Expenditures

and Change in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2022

	General Fund	Adjustments	Statement of Activities
Expenditures/expenses			
General government	\$ 279,442	\$ 13,604	\$ 293,046
Contributions to primary government	37,724	-	37,724
Total expenditures/expenses	317,166	13,604	330,770
Program revenues			
Operating grants and contributions	209,296	-	209,296
Net program (expenditure/expense)/revenue	(107,870)	(13,604)	(121,474)
General revenues			
Property taxes	120,966	-	120,966
Unrestricted investment earnings	70	-	70
Other revenue	2,985	-	2,985
Total general revenues	124,021	-	124,021
Net change in fund balance/net position	16,151	(13,604)	2,547
Fund balance/net position, beginning of year	60,665	614,837	675,502
Fund balance/net position, end of year	\$ 76,816	\$ 601,233	\$ 678,049

The accompanying notes are an integral part of these basic financial statements.

Downtown Development Authority of the City of Lapeer, Michigan

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual - General Fund

For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Property taxes	\$ 116,337	\$ 116,337	\$ 120,966	\$ 4,629
Donations	5,000	5,000	157	(4,843)
Special events/promotions	26,025	26,025	31,407	5,382
Grants	50,000	75,000	75,000	-
Intergovernmental	8,645	8,645	8,998	353
Unrestricted investment earnings	100	100	70	(30)
Miscellaneous	2,500	2,500	2,985	485
Contributions from primary government	101,000	101,000	93,734	(7,266)
Total revenues	309,607	334,607	333,317	(1,290)
Expenditures				
Current:				
General government:				
Salaries	66,000	67,600	66,102	(1,498)
Insurance	3,000	3,000	2,367	(633)
Attorney	1,500	1,500	-	(1,500)
Main Street program	8,000	12,000	11,644	(356)
CIP funded project	10,000	10,000	1,256	(8,744)
Design committee	1,200	1,200	263	(937)
Beautification	1,500	1,500	1,500	-
Special events/promotions	22,618	22,618	22,470	(148)
Property maintenance and utilities	6,000	6,000	10,241	4,241
Programming services agreement	81,500	81,500	81,500	-
Contractual services	3,000	3,000	2,625	(375)
Grants	52,500	77,500	75,000	(2,500)
Miscellaneous	4,800	4,800	4,474	(326)
Contribution to primary government	42,164	42,164	37,724	(4,440)
Total expenditures	303,782	334,382	317,166	(17,216)
Net change in fund balance	5,825	225	16,151	15,926
Fund balance, beginning of year	60,665	60,665	60,665	-
Fund balance, end of year	\$ 66,490	\$ 60,890	\$ 76,816	\$ 15,926

NOTES TO FINANCIAL STATEMENTS

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The ***Downtown Development Authority of the City of Lapeer, Michigan*** (the "Authority") was established by the Lapeer City Commission on November 24, 1982, in accordance with Public Act 197 of 1975. Its purpose is to serve the best interest of the public in halting property value deterioration and to increase property tax valuation in the City of Lapeer's (the "City") business district. The Authority also promotes economic growth. The Authority is considered a component unit of the City for financial accounting and reporting purposes. These criteria include: the extent of oversight responsibility, selection of governing authority, designation of management, the ability of the City to significantly influence operations, and the accountability for fiscal matters including the level of City financing and/or moral and legal responsibility for long-term debt.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority has followed the guidelines of the Governmental Accounting Standards Board and has determined that no entities should be included into its financial statements as component units, entities for which the government is considered to be financially accountable. Therefore, the reporting entity consists of the Authority financial statements only.

Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, the Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Position and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are 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.

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

Governmental fund financial statements are 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.

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.

The Authority reports the following major governmental fund:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority. Revenues are derived primarily from the capture of property taxes from the City of Lapeer and Lapeer County.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Equity

Cash and Cash Equivalents

The Authority's cash and cash equivalents include checking and savings accounts.

Michigan law authorizes the Authority to deposit and invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- 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.
- Bankers' acceptances of United States banks.
- 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.

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

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

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets

Capital assets, which include land, buildings, and equipment are reported in the statement of net position. Capital assets are defined by the Authority as assets having a useful life in excess of one year and whose initial, individual costs equal or exceed \$5,000. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their estimated acquisition value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	Years
Land	n/a
Buildings	20-40
Machinery and equipment	20

The Authority reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its fair value. If it is determined that an impairment loss has occurred the asset is written down to its net realizable value and a current charge to income is recognized.

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

Fund Equity

In the fund financial statements, 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 require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance, if any, is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Board. 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 Authority's intent to be used for specific purposes, but are neither restricted nor committed. The Board of Directors has delegated the authority to assign fund balance to the Executive Director. Unassigned fund balance is the residual classification for the General Fund.

When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. BUDGETARY INFORMATION

Budget Policy and Compliance

A budget to actual comparison is presented for the General Fund as required by generally accepted accounting principles. The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles ("GAAP"). General Fund expenditures are budgeted at the department level. Budget variances, if any, are disclosed on the Statement of Revenues, Expenditures and Change in Fund Balance – Budget to Actual.

Adoption and amendments of budgets used by the Authority are governed by Public Act 621. Any amendment of the original budget must meet the requirements of Public Act 621.

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

For the year ended June 30, 2022, the Authority's expenditures were in excess of the amounts appropriated, as follows:

	Final Budget	Actual	Over Budget
Current:			
General government:			
Property maintenance and utilities	\$ 6,000	\$ 10,241	\$ 4,241

3. DEPOSITS

Following is a reconciliation of deposit balances as of June 30, 2022:

Statement of Net Position

Cash and cash equivalents	<u>\$ 120,026</u>
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Deposits

Bank deposits:	
Checking and savings accounts	<u>\$ 120,026</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, the Authority's entire bank balance of \$124,963 was FDIC insured.

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

4. CAPITAL ASSETS

Capital assets activity for the Authority for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 154,000	\$ -	\$ -	\$ -	\$ 154,000
Capital assets, being depreciation:					
Buildings	769,854	10,738	-	-	780,592
Machinery and equipment	48,737	-	-	-	48,737
	<u>818,591</u>	<u>10,738</u>	<u>-</u>	<u>-</u>	<u>829,329</u>
Less accumulated depreciation for:					
Buildings	(348,454)	(21,905)	-	-	(370,359)
Machinery and equipment	(9,300)	(2,437)	-	-	(11,737)
	<u>(357,754)</u>	<u>(24,342)</u>	<u>-</u>	<u>-</u>	<u>(382,096)</u>
Total capital assets being depreciated, net	<u>460,837</u>	<u>(13,604)</u>	<u>-</u>	<u>-</u>	<u>447,233</u>
Total capital assets, net	<u>\$ 614,837</u>	<u>\$ (13,604)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,233</u>

5. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance to cover any potential claims associated with these risks and has had no claims that exceeded the insurance coverage during the past three years.

6. COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Authority may become a party to various claims and lawsuits, which could result in a material effect on the financial position of the Authority. However, there was indication of no pending claims or lawsuits during the year ended June 30, 2022.

Downtown Development Authority of the City of Lapeer, Michigan

Notes to Financial Statements

7. RECONCILIATIONS

Following is an explanation of the adjustments between the governmental fund balance sheet and the government-wide statement of net position, which reconciles fund balance to net position:

Governmental fund balance	\$	76,816
Adjustments:		
Capital assets not being depreciated		154,000
Capital assets being depreciated, net		<u>447,233</u>
Net position of governmental activities	\$	<u>678,049</u>

Following is an explanation of the adjustments between the governmental fund revenues, expenditures and change in fund balance and the government-wide statement of activities, which reconciles change in fund balance to change in net position:

Change in fund balance	\$	16,151
Adjustments:		
Depreciation expense		(24,342)
Capital outlay/purchase of capital assets		<u>10,738</u>
		<u>(13,604)</u>
Change in net position	\$	<u>2,547</u>

8. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the Authority's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. At this time, management does not believe that any ongoing negative financial impact related to the pandemic would be material to the Authority.



**Independent Auditors' 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***

November 30, 2022

Board of Directors
Downtown Development Authority
Lapeer, 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 General Fund of the ***Downtown Development Authority of the City of Lapeer, Michigan*** (the "Authority"), a component unit of the City of Lapeer, Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 30, 2022.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Authority'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.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.