

DOWNTOWN DEVELOPMENT AUTHORITY
FINANCE COMMITTEE
Monday, February 8, 2021
9:30 am

The Finance Committee will not be held at the Governmental Center.
The Finance Committee Meeting will be conducted remotely via Zoom webinar
Quick Highlights for Viewing and Participating

Anyone wishing to listen and give public comment will need to call in and wait in
a “virtual waiting room” where their microphones will be muted until they are
called upon:

Dial: 1-301-715-8592

Meeting ID: 865 7381 5980

Participant ID: # (yes just #)

Posted and Published

Friday, February 5, 2021

The DDA recognizes the importance of not bringing people together unnecessarily in an effort to stop the spread of the coronavirus. The Governmental Center has been closed to walk-in traffic and will be closed for all DDA meetings for the foreseeable future. Members of the DDA will not be present in the Governmental Center for official DDA meetings.

This meeting is being conducted remotely to assist in stopping the spread of the coronavirus. Individuals with disabilities may participate in the meeting by calling-in to the number as though they were going to be giving public comment as outlined below or by calling the TDD#.

For members of the DDA and key DDA staff, their name will appear on screen when they are speaking. For individuals who may wish to give public comment, the method for providing public comment during these remote-participation meetings is to call the number outlined in the header as well as enter the Meeting ID and Passcode as outlined in the header.

Callers wishing to give public comment may call in before the meeting starts and wait in a “virtual waiting room.” These instructions will be included in every official published agenda of the DDA. Those calling in will be able to hear the audio of the DDA Finance Committee, yet their microphone will be muted.

When the DDA Finance Committee accepts public comment, in the order calls were received, the meeting facilitator will identify the caller by the last four digits of their telephone number and ask them if they would like to make a comment.

While not required, but so we do not have to go through an unnecessarily long list of callers, we ask, if possible, that those who do not wish to give public comment refrain from calling in and instead listen to the meeting.

The DDA CEO has been designated to coordinate compliance with the non-discrimination requirements contained in Section 35.107 of the Department of Justice regulations. Information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder, are available from the DDA office.

If you are planning to attend and you have a disability requiring any special assistance at the meeting and/or if you have any concerns, please immediately notify the DDA CEO

The DDA is committed to a dialog that is constructive, respectful and civil. We ask that all individuals interacting verbally or in writing with the DDA honor these values.

DDA:
c/o Jean Derenzy, CEO
(231) 922-2050
Email: jean@downtowntc.com
Web: www.downtowntc.com
303 East State Street, Suite C.
Traverse City, MI 49684

Information and minutes are available from the DDA CEO, 303 East State Street, Suite C, Traverse City, MI 49684, (231) 922-2050. If you are planning to attend the meeting and are handicapped requiring special assistance; please notify the DDA CEO as soon as possible. Any interested person or group may address the DDA Board on any agenda item when recognized by the presiding officer or upon request of any DDA Board member. Also, any interested person or group may address the DDA Board on any matter concerning the DDA not on the Agenda during the agenda item designated Public Comment. The comment of any member of the public or any special interest group may be limited in time. Such limitation shall not be less than five minutes unless otherwise explained by the presiding officer, subject to appeal by the DDA Board.

**Downtown Development Authority
Finance Committee
Agenda**

1. Roll Call
2. Approval of Minutes from January 4, 2021 (to be distributed)
3. Review of 2019/2021 Audit (Doug Vredevelde to present)
4. Review of 2020/2021 Financials
5. Public Comment
6. Other Business
7. Adjournment

The Traverse City Downtown Development Authority does not discriminate on the basis of disability in the admission or access to, or treatment or employment in, its programs or activities. The DDA CEO has been designated to coordinate compliance with the non-discrimination requirements contained in Section 35.107 of the Department of Justice regulations. Information concerning the provisions of the Americans with Disabilities Act, and the rights provided thereunder, are available from the DDA office.

Minutes
Traverse City Downtown Development Authority
Finance Committee

9:30am
January 4, 2021
Virtual Zoom Meeting

Scott Hardy called the meeting to order at 9:33 am

Present: Scott Hardy, Debbie Hershey, Richard Lewis, Gabe Schneider, Steve Constantin

Attendees: Jean Derenzy, Harry Burkholder

Opening Public Comment: None

Minutes of December 8, 2020: **MOVED** by Hershey seconded by Schneider to approve minutes of December 8, 2020. **APPROVED** unanimously.

Review of DDA Financials: Discussion. Committee requested that identified date of financials, meaning what month the financials go through be the heading. Derenzy reported that audit has been completed and will be presented in February. Committee requested that audit be presented to the February meeting with Vredeveld Haefner, firm completing audit present to Committee and Board.

Committee members requested that meeting dates be reviewed to enable the review of financials would be consistent with the reconciled bank statements. Derenzy indicated that bank financials can not be reconciled by the first Monday of the month, if we moved the meeting to the second Monday, would be the same as presented at DDA Board meetings.

Closed Session: **MOVED** by Hershey seconded by Constantin to move into a closed session at 10:05am

Roll Call Vote:

Yea: Hershey, Constantin, Lewis, Schneider, Hardy

Return from Closed Session AT 10:40am

2021 Meeting Schedule: **MOVED** by Schneider seconded by Hershey to move Finance Committee to the second Monday of each month at 9:30am **APPROVED unanimously.**

Other Business: None.

Public Comment: None.

Meeting Adjourned at 11:00am

Scott Hardy, Chair



Downtown Development Authority
303 E. State Street
Traverse City, MI 49684
jean@downtowntc.com
231-922-2050

Memorandum

To: Finance Committee

From: Jean Derenzy, CEO

Date: February 5, 2021

SUBJECT: Overview of Monday Meeting

Attached is the 2019/2020 audit for your review. Douglas Vredevelde, Partner of Vredevelde Haefner, LLC will be attending our meeting to go through the audit and answer any questions you may have. As the audit reflects, we are in a positive position with each of our accounts, and have met all standards.

We will also go through each budget (General, TIF 97, Old Town) as of January 31, 2021.

I will also discuss with you an update on the Civic/Rotary Square.



**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City)**

**Annual Audited Financial Statements
For the Year Ended June 30, 2020**

**Prepared by City Treasurer's Office
Vredeveld Haefner LLC - Auditors**

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**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the
City of Traverse City, Michigan)**

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Vredevelde Haefner LLC

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INDEPENDENT AUDITORS' REPORT

December 24, 2020

Members of the Board
City of Traverse City Downtown Development Authority
Traverse City, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Traverse City Downtown Development Authority (the Authority), a Component Unit of the City of Traverse City, Michigan, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Traverse City Downtown Development Authority, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the information on pages 21 through 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 24, 2020 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 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 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 Authority's internal control over financial reporting and compliance.

Orlando Hoefner LLC

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

[REDACTED]

Management's Discussion and Analysis

As management of the *City of Traverse City Downtown Development Authority* (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, 2020.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,658,266 (*net position*).
- The Authority's total net position increased by \$1,497,320.
- As of the close of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$3,920,384 an increase of \$1,618,395 in comparison with the prior year.

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.

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 government'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 (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Authority's governmental activity is economic development. The Authority has no business-type activities.

The government-wide financial statements include only the Authority itself. The Authority has no legally separate component units for which the Authority is financially accountable.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that are 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 only has governmental funds. The Authority does not maintain enterprise or fiduciary funds.

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 a government'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* with similar information presented for *governmental activities* in the 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 funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for all three funds; the General Fund, TIF 97 and Old Town TIF Special Revenue Funds, each of which are considered to be major funds. The governmental funds financial statements can be found on pages 10-13 of this report.

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. The notes to the financial statements can be found on pages 14-20 of this report.

Other Information

The Authority adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison schedules have been provided as required supplementary information to demonstrate compliance with those budgets.

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 \$4,658,266 at the close of the most recent fiscal year.

Downtown Development Authority's Net Postion

	June 30	
	2020	2019
Governmental Activities		
Current assets	\$ 6,762,704	\$ 5,997,296
Non Current assets	120,756	120,756
Total Assets	6,883,460	6,118,052
Long-term liabilities	55,122	66,799
Other liabilities	2,170,072	2,890,307
Total Liabilities	2,225,194	2,957,106
Net Position		
Net investment in capital	120,756	120,756
Restricted	3,865,826	2,544,285
Unrestricted	671,684	495,905
	\$ 4,658,266	\$ 3,160,946

The Authority's net position reflects its restricted net position for future expenditures within the guidelines of the tax increment finance district plans and unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in both categories of net position.

The Authority's net position increased by \$1,497,320, key highlights are as follows:

- The increase in net position for 2020 compared to an increase of \$394,019 in 2019. Charges for services increased by approximately \$224,000 due in part to an adjustment to the administrative service contracts with the DTCA and the City Parking System. Property taxes increased by approximately \$450,000 due in large part to a significant increase in the captured value of the TIF 97 plan and 2020 being the third year of capture for the Old Town TIF plan. The total expenses decreased by approximately \$385,000, due almost entirely to decreases in the amount each of the TIF districts contributed to district construction projects during 2020 compared to 2019.

Downtown Development Authority's Changes in Net Position

	June 30	
	2020	2019
Governmental Activities		
Program revenues		
Charges for services	\$ 991,207	\$ 767,341
Operating grants	189,243	145,077
Capital grants	-	-
General revenues		
Property taxes	3,070,404	2,620,259
Unrestricted investment earnings	948	732
Total Revenue	4,251,802	3,533,409
Expenses		
Economic development	2,754,482	3,139,390
Change in net position	1,497,320	394,019
Net position beginning of year	3,160,946	2,766,927
Net position end of year	<u>\$ 4,658,266</u>	<u>\$ 3,160,946</u>

Financial Analysis of the Government's Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Authority's *governmental funds* is to provide information on 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 funds reported combined ending fund balances of \$3,920,384, an increase of \$1,618,395, from the prior year. \$3,193,578 of fund balance is restricted and available only for spending for the benefit of the applicable TIF district.

The General Fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$722,152. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 49 percent of total General Fund expenditures. During the current fiscal year, the fund balance of the Authority's General Fund increased by \$164,102 compared to an anticipated increase of \$32,100. The change in fund balance was attributed to actual expenditures being under the amended budget by approximately \$91,000, and actual revenues received being more than the budget by approximately \$41,000.

The TIF 97 Special Revenue Fund had a fund balance of \$2,974,201, which increased \$1,234,916 although anticipated to increase \$461,200. This difference was attributed to larger than anticipated Brownfield reimbursements related to the parking deck debt payments and actual expenditures being under budget because of the timing of construction projects the district has committed funding to.

The Old Town TIF Special Revenue Fund has a fund balance of \$ 219,377, an increase of \$219,377, compared to a projected decrease of \$202,600. The timing of district funded construction projects was the key factor in the increased fund balance for the Old Town TIF Fund there were zero actual contributions compared to a budgeted contribution of \$405,500.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the 2020-21 fiscal year:

- Through a contract with the City of Traverse City, the Authority manages the Traverse City Parking Services. For fiscal year end June 30, 2020, the Authority budgeted an increase in the autoparking administrative reimbursement of \$22,000 to reflect increased staffing projections. The General Fund also budgeted for the receipt and use of grant funds related to the Civic Square Project of \$3,000,000.
- Various capital improvements are planned in the TIF 97 Funds for the 2020-21 fiscal year including Uptown/West Front Riverwalk completion, a snowmelt system in parts of West Front Street, City Opera House upgrades, East Front Street Streetscapes and West Front, South Cass and Park Streets Bridge Replacements.
- A \$65,000 payment to the Downtown WiFi project will be made by TIF 97 annually through 2024.
- The Old Town TIF captured taxes for the third time during fiscal year end June 30, 2020. Future projects being considered for Old Town TIF contributions include, South Cass and Eighth Street Bridge Replacements.

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 Authority's Executive Director, 303 State Street, Traverse City, Michigan.

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FINANCIAL STATEMENTS

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CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)

Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 5,949,303
Due from other governments	808,747
Prepaid items	4,654
Capital assets not being depreciated	<u>120,756</u>
Total assets	<u>6,883,460</u>
Liabilities	
Accounts payable	129,536
Accrued liabilities	40,536
Unearned Revenue	2,000,000
Accrued compensated absences	
Due in more than one year	<u>55,122</u>
Total liabilities	<u>2,225,194</u>
Net position	
Net investment in capital assets	120,756
Restricted for tax increment finance districts	3,865,826
Unrestricted	<u>671,684</u>
Total net position	<u>\$ 4,658,266</u>

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

CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)

Statement of Activities
For the Year Ended June 30, 2020

<u>Functions/ Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue</u>
		<u>Charges</u> <u>for Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	
Governmental activities	\$ 2,754,482	\$ 991,207	\$ 189,243	\$ (1,574,032)
	General revenues			
	Unrestricted property taxes			129,391
	Restricted property taxes for tax increment finance districts			2,941,013
	Unrestricted investment income			948
	Total general revenues			3,071,352
	Change in net position			1,497,320
	Net position, beginning of year			3,160,946
	Net position, end of year			\$ 4,658,266

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

CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)

Balance Sheet
Governmental Funds
June 30, 2020

	<u>General Fund</u>	<u>TIF 97 Fund</u>	<u>Old Town TIF Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 3,026,624	\$ 2,781,390	\$ 141,289	\$ 5,949,303
Due from other governments	136,499	672,248	-	808,747
Due from other funds	51,790	292,934	93,060	437,784
Prepaid items	4,654	-	-	4,654
Total assets	<u>\$ 3,219,567</u>	<u>\$ 3,746,572</u>	<u>\$ 234,349</u>	<u>\$ 7,200,488</u>
Liabilities, deferred inflows, and fund balances				
Liabilities				
Accounts payable	66,231	51,833	11,472	\$ 129,536
Accrued liabilities	40,536	-	-	40,536
Unearned Revenue	2,000,000	-	-	2,000,000
Due to other funds	385,994	48,290	3,500	437,784
Total liabilities	<u>2,492,761</u>	<u>100,123</u>	<u>14,972</u>	<u>2,607,856</u>
Deferred inflows				
Unavailable revenue	-	672,248	-	672,248
Fund balances				
Nonspendable - prepaid expenditures	4,654	-	-	4,654
Restricted - tax increment finance districts	-	2,974,201	219,377	3,193,578
Unassigned	722,152	-	-	722,152
Total fund balances	<u>726,806</u>	<u>2,974,201</u>	<u>219,377</u>	<u>3,920,384</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,219,567</u>	<u>\$ 3,746,572</u>	<u>\$ 234,349</u>	<u>\$ 7,200,488</u>

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

CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)

**Reconciliation of Fund Balances on the Balance Sheet for Governmental
Funds to Net Position of Governmental Activities on the
Statement of Net Position
June 30, 2020**

Fund balances - total governmental funds	\$ 3,920,384
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	
Add - Capital Assets	120,756
Other noncurrent assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Add - unavailable revenue	672,248
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - accrued compensated absences	<u>(55,122)</u>
Net position of governmental activities	<u>\$ 4,658,266</u>

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

CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)

Schedule of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2020

	<u>General Fund</u>	<u>TIF 97 Fund</u>	<u>Old Town TIF Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 129,391	\$ 2,534,458	\$ 406,555	\$ 3,070,404
Grants and contributions	134,243	-	-	134,243
Reimbursements	1,318,204	187,752	-	1,505,956
Rental income	43,910	-	-	43,910
Interest income	948	5,179	138	6,265
Total revenues	<u>1,626,696</u>	<u>2,727,389</u>	<u>406,693</u>	<u>4,760,778</u>
Expenditures				
Economic development				
Salaries	767,555	-	-	767,555
Fringe benefits	265,388	-	-	265,388
Office supplies and utilities	40,111	401	-	40,512
Professional services	362,933	592,863	187,316	1,143,112
Travel and conferences	10,475	-	-	10,475
Repairs and maintenance	3,910	-	-	3,910
Rentals	12,222	-	-	12,222
Contributions to district construction projects	-	40,390	-	40,390
Contributions to other governments - debt service	-	858,819	-	858,819
Total expenditures	<u>1,462,594</u>	<u>1,492,473</u>	<u>187,316</u>	<u>3,142,383</u>
Net change in fund balance	164,102	1,234,916	219,377	1,618,395
Fund balance, beginning of year	562,704	1,739,285	-	2,301,989
Fund balance, end of year	<u>\$ 726,806</u>	<u>\$ 2,974,201</u>	<u>\$ 219,377</u>	<u>\$ 3,920,384</u>

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

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY**
(A Component Unit of the City of Traverse City, Michigan)

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2020**

Net changes in fund balances - total governmental funds	\$ 1,618,395
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Noncurrent assets recorded on the fund statements are not available to fund current year operations and are unavailable in the funds.	
Add - current year additions to non current assets (long-term receivables)	55,000
Deduct - payments received on long-term receivables due from other governments	(187,752)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in compensated absences	<u>11,677</u>
Change in net position of governmental activities	<u>\$ 1,497,320</u>

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

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The City of Traverse City Downtown Development Authority (the "Authority"), a discrete component unit of the City of Traverse City (the "City"), was created in September 1978 by the City Commission pursuant to Act No. 197 of the Public Acts of 1975 of the State of Michigan. It operates through a Board of Trustees (the "Board") consisting of the Mayor of the City of Traverse City and eleven members approved by the City Commission. The purpose of the Authority is to correct and prevent deterioration of the Downtown Development District, encourage historic preservation, create and implement development plans, and promote economic growth.

The Authority is a component unit of the City because the City appoints the Authority's Board of Directors, it has the ability to significantly influence the Authority's operations and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39 and No. 61. Accordingly, the Authority is presented as a discretely presented component unit in the City's financial statements.

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 nonfiduciary activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 years for which they are levied.

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and compensated absences expenditures are recorded only when payment is due. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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 funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund.

The *TIF 97 and Old Town TIF Special Revenue Funds* account for financial resources that are legally restricted for activities within specific districts of the Downtown Development Authority.

Capital Assets - The Authority has capitalized one asset, a parcel of land purchased by the Authority for which it holds legal ownership. Infrastructure assets (e.g., roads, bridges, curbs, sidewalks, storm sewers and similar items), along with water and wastewater subsystems, constructed by the Authority are not recorded as the Authority's capital assets, even though the Authority may be obligated to repay the debt issued to finance the related projects. Such capital assets become the property of the City when they are placed into service and, accordingly, are then reported as the City's capital assets.

Deferred outflows/inflows of resources - In addition to assets, the statement of net position and the governmental funds balance sheet, when applicable, will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority does not report deferred outflows of resources.

In addition to liabilities, the statement of net position when applicable will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. Currently, the Authority reports deferred inflow of resources for unavailable revenue related to a long-term

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

commitment from the Grand Traverse County Brownfield Authority.

Unearned revenue - The amount reported as unearned revenue consists of grant funds received in advance that have not yet been spent.

Accrued compensated absences - Employees are granted Sick Leave and Paid Time Off. **Sick Leave:** Employees hired before June 30, 2020 may have accumulated Sick Leave time. As of July 1, 2020, Sick Leave time will no longer accumulate. Sick Leave balances will be accessible and payable upon separation up to 480 hours until June 30, 2022. After 2022, Sick Leave pay banks and balances will be eliminated. **Paid Time Off:** If Paid Time Off is not used before the anniversary date, a maximum of 40 hours are eligible for rollover into the next work year and accumulation in the PTO "bucket." Unused PTO above 40 hours that remains on the anniversary date will be forfeited. The maximum payout upon separation will be 40 hours. The estimated amount due to employees as of June 30, 2020 is accrued in the government-wide financial statements.

Fund Balance - 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 required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resource by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the Authority's highest level of decision making authority, the Authority's Board of Directors. A formal resolution by the Authority's Board of Directors is required to establish, modify or rescind a fund balance commitment. Assigned fund balance is reported for amounts intended for specific purposes expressed and assigned by the governing body. Unassigned fund balance is the residual classification for the General Fund.

Net Position and Fund Balance Flow Assumptions - Sometimes the Authority will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position/fund balance and unrestricted - net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, 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.

2. CASH AND CASH EQUIVALENTS

Michigan Compiled Laws, Section 129.91 authorizes the local governmental unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Authority is allowed to invest in

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Authority's deposit and investment policy is in accordance with statutory authority.

The Authority's cash and cash equivalents are comprised of bank deposits with a balance of \$5,948,755 and petty cash of \$548 at June 30, 2020.

Custodial credit risk - deposits

Custodial risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The State does not require and the Authority has not adopted a policy regarding custodial credit risk. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$6,092,178. The Federal Deposit Insurance Corporation insured \$250,000 and the remainder of \$5,842,178 is uninsured and not collateralized.

3. RECEIVABLES / UNAVAILABLE REVENUE

The General Fund reports \$1,878 of receivables from the City of Traverse City related to event administration services. Governmental funds reported unavailable revenue in connection with receivables that are not considered to be available to liquidate liabilities of the current period. This unavailable revenue consists of taxes that will be captured in the future by the Brownfield tax districts to reimburse for costs incurred in this and past fiscal years for economic development. At the end of the current fiscal year, the various components of unavailable revenue amounted to \$672,248.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable are related to vendors and construction projects and includes \$4,259 due to the City of Traverse City related to contributions the DDA has committed for TIF eligible construction projects and \$3,500 due to the City for downtown Christmas lighting supplies. Accrued liabilities in the governmental activities consist of 63 percent accrued payroll liabilities, and 37 percent deposits payable.

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

5. INTERFUND PAYABLES AND RECEIVABLES

Expenses payable from the TIF 97 special revenue funds to the General Fund at June 30, 2020 netted to \$48,290. In addition, \$3,500 is due from the Old Town TIF fund to the General Fund for reimbursement of vendor payments made by the General Fund. TIF 97 reported amounts receivable from the General Fund including \$11,969 related to prior year adjustments, and \$280,965 related to current year brownfield reimbursements and property tax collections that were deposited into the General Fund bank account and were not transferred to the TIF 97 bank account as of June 30, 2020. Old Town TIF reported amounts receivable from the General Fund of \$82,379 related to prior year administrative fee adjustments and \$ 10,681 related to current year property tax collections deposited into the General Fund bank account and not transferred to the Old Town TIF bank account as of June 30, 2020.

6. ACCRUED COMPENSATED ABSENCES

Changes in accrued compensated absences consist of the following:

	<u>Balance</u> <u>07/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/20</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Accrued compensated absences	<u>\$66,799</u>	<u>\$ 24,843</u>	<u>\$ 36,520</u>	<u>\$55,122</u>	<u>\$ -</u>

Compensated absences are liquidated by the General Fund.

7. PROPERTY TAXES

The Authority's property taxes are levied each July 1 on the taxable valuation of applicable property located in the Districts of the Authority as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through July 31 and unpaid taxes become delinquent if not paid by March 1 of the succeeding year. Assessed values as established annually by the City, and subject to acceptance by the County, are equalized by the State at an estimated 50 percent of the assessed value. The taxable value for real and personal property for the Authority for the 2019 levy was \$187,889,122. The Authority's general operating tax rate for fiscal year 2019-20 was 1.66580 mills.

Property tax revenue for the TIF's, which are included in the Downtown Development Authority, is derived pursuant to the tax increment financing development plans. The Old Town TIF tax increment financing development plan captured it's first taxes during the fiscal year end June 30, 2018. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing districts. The City bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property at March 1 are purchased and collected by Grand Traverse County.

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

Collection of delinquent personal property tax remains the responsibility of the City of Traverse City. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

Except for property taxes captured from local schools that exceed contractual obligations, the Authority is entitled to all taxes levied on property within the tax increment financing authority districts to the extent that the current taxable value exceeds the base year taxable value. The base year of initial properties was 1997 for TIF 97 (\$32,860,088). The base year on other properties is determined by the date of entry into the district. The fiscal year 2019-20 captured taxable values for TIF 97 was \$126,691,029. The base year of initial properties was 2017 for Old Town TIF (\$45,424,382). The base year on other properties is determined by the date of entry into the district. The fiscal year 2019-20 captured taxable values for Old Town TIF was \$60,805,082.

8. COMMITMENTS

The 2020 City of Traverse City Downtown Development Tax Exempt Refunding Bonds are reported on the City of Traverse City financial statements. The Authority has pledged tax increment revenues for the payment of these bonds. The City has pledged its limited tax full faith and credit for the payment of the principal and interest on the bonds. The following are the obligations, including interest, expected to be paid from the collection of tax increment revenues in the Tax Increment Financing and Development Plan No. 97.

<u>Fiscal Year</u> <u>End</u>	<u>Amount</u>
2021	\$ 893,586
2022	931,504
2023	973,160
2024	953,440
2025	913,720
2026-28	<u>2,482,656</u>
Total	<u>\$ 7,148,066</u>

The Authority has committed to assist the City with various infrastructure related projects within their boundaries including bridge repairs, streetscapes and river walk improvements. The estimated Authority commitment for projects that have started is \$1,215,500 at June 30, 2020. The Authority will pay these commitments using district eligible TIF captured funds.

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Notes to Financial Statements
For the Year Ended June 30, 2020**

9. ADMINISTRATIVE SERVICES REVENUE

The Authority entered into a contract with the Downtown Traverse City Association (a non-for-profit organization). The Authority provides office space and administrative services to the association for an annual fee of \$69,147.

The Authority entered into a contract on June 19, 2003 with the City of Traverse City in which the Authority will operate and manage the Traverse City Parking Services for an annual fee. The fiscal year end June 30, 2020 fee of \$750,000 is billed monthly at \$62,500.

The Authority's General Fund is reimbursed an administrative fee for indirect cost from the TIF 97 Fund as approved in the budget. The fee assessed is .2% of the TIF district's total taxable value. The Old Town TIF also reimburses the General Fund at .2% of the districts total taxable value. The revenue recorded in the General Fund and expenditures in the TIF Fund are eliminated in the government-wide financial statements. Income from the administrative fee for the year ended June 30, 2020 was \$376,224.

10. RISK OF LOSS

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority is covered for these risks via the Michigan Municipal Liability and Property Pool, Michigan Municipal Workers Compensation Insurance Fund and commercial health insurance. There has been no significant reduction in insurance coverage from the prior year and settlements have not exceeded insurance coverage for the past three fiscal years.

11. DEFERRED COMPENSATION PLAN

The Authority sponsors the Traverse City Downtown Development Authority Deferred Compensation Plan created in accordance with the Internal Revenue Code Section 457. The administrator of the plan is ICMA Retirement Corporation. The plan is available to all employees. The DDA automatically contributes 4% of the employee's gross wages each pay period. The 457 Plan allows employees to make their own contributions pre or post-tax (Roth). If employees choose to participate via payroll deduction, the DDA will match the employee's deferral up to 6%. Employees can individually choose investment options offered through this program. Plan provision and contribution requirements can only be amended by authorization of the Board of Directors. In fiscal year 2020 the Authority contributed \$51,438 and the employees contributed \$38,111 to this plan.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
General Fund
For the Year Ended June 30, 2020

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 137,500	\$ 137,500	\$ 129,391	\$ (8,109)
Grants and contributions	-	100,000	134,243	34,243
Reimbursements	1,195,400	1,295,400	1,318,204	22,804
Rental income	53,000	53,000	43,910	(9,090)
Interest income	200	200	948	748
Total revenues	<u>1,386,100</u>	<u>1,586,100</u>	<u>1,626,696</u>	<u>40,596</u>
Expenditures				
Economic development				
Salaries	892,000	892,000	767,555	124,445
Fringe benefits	269,000	269,000	265,388	3,612
Office supplies and utilities	45,800	45,800	40,111	5,689
Professional services	112,000	312,000	362,933	(50,933)
Travel and conferences	24,000	24,000	10,475	13,525
Repairs and maintenance	2,200	2,200	3,910	(1,710)
Rentals	9,000	9,000	12,222	(3,222)
Total expenditures	<u>1,354,000</u>	<u>1,554,000</u>	<u>1,462,594</u>	<u>91,406</u>
Net change in fund balance - revenues over (under) expenditures	32,100	32,100	164,102	132,002
Fund balance, beginning of year	<u>562,704</u>	<u>562,704</u>	<u>562,704</u>	<u>-</u>
Fund balance, end of year	<u>\$ 594,804</u>	<u>\$ 594,804</u>	<u>\$ 726,806</u>	<u>\$ 132,002</u>

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Special Revenue Fund - TIF 97
For the Year Ended June 30, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive (Negative)</u>
Revenues				
Taxes	\$ 2,589,100	\$ 2,589,100	\$ 2,534,458	\$ (54,642)
Grants and contributions	-	-	-	-
Reimbursements	130,000	130,000	187,752	57,752
Rental income	-	-	-	-
Interest income	4,500	4,500	5,179	679
Total revenues	<u>2,723,600</u>	<u>2,723,600</u>	<u>2,727,389</u>	<u>3,789</u>
Expenditures				
Economic development				
Office supplies and utilities	200	200	401	(201)
Professional services	596,900	596,900	592,863	4,037
Contributions to district construction projects	805,800	805,800	40,390	765,410
Contributions to other governments - debt service	859,500	859,500	858,819	681
Total expenditures	<u>2,262,400</u>	<u>2,262,400</u>	<u>1,492,473</u>	<u>769,927</u>
Net change in fund balance - revenues over (under) expenditures	461,200	461,200	1,234,916	773,716
Fund balance, beginning of year	<u>1,739,285</u>	<u>1,739,285</u>	<u>1,739,285</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,200,485</u>	<u>\$ 2,200,485</u>	<u>\$ 2,974,201</u>	<u>\$ 773,716</u>

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

**Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual
Special Revenue Fund - Old Town TIF
For the Year Ended June 30, 2020**

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 434,900	\$ 434,900	\$ 406,555	\$ (28,345)
Interest income	100	100	138	38
Total revenues	<u>435,000</u>	<u>435,000</u>	<u>406,693</u>	<u>(28,307)</u>
Expenditures				
Economic development				
Professional services	232,100	232,100	187,316	44,784
Contributions to district construction projects	405,500	405,500	-	405,500
Total expenditures	<u>637,600</u>	<u>637,600</u>	<u>187,316</u>	<u>450,284</u>
Net change in fund balance - revenues over (under) expenditures	(202,600)	(202,600)	219,377	421,977
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ (202,600)</u>	<u>\$ (202,600)</u>	<u>\$ 219,377</u>	<u>\$ 421,977</u>

**CITY OF TRAVERSE CITY
DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of the City of Traverse City, Michigan)**

Notes to Required Supplementary Information

1. BUDGETARY INFORMATION

The general and special revenue funds are under formal budgetary control and their budgets are prepared on the same modified accrual basis of accounting used to reflect actual results. The Authority follows the City's budget process in establishing the budgetary data reflected in the financial statements:

- The Authority submits a proposed budget to the City Manager. After review and approval, the City Manager submits a recommended operating budget to the City Commission. Public hearings are held to obtain taxpayer comments. The budget is legally adopted through a City Commission resolution prior to the beginning of the budgetary year for the Authority's funds. The budget is then adopted by the Authority's Board.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or amended by the City Commission during the year.
- The budget document presents information by fund, function and activity. The legal level of budgetary control adopted by the governing board is the fund level, which is the level at which expenditures may not legally exceed appropriations.

INTERNAL CONTROL AND COMPLIANCE



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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

December 24, 2020

Members of the Board
City of Traverse City Downtown Development Authority
Traverse City, 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 each major fund of the City of Traverse City Downtown Development Authority (the Authority), a Component Unit of the City of Traverse City, Michigan, as of and for the year ended June 30, 2020, 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 24, 2020.

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) to determine the 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 Authority'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 may exist that have not been identified.

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 determination of financial statement amounts. 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Orlando Haefner LLC

DDA - TIF97
Profit & Loss Budget vs. Actual - 20/21
July 2020 through January 2021

	<u>Jul '20 - Jan 21</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Ordinary Income/Expense				
Income				
Contribution from Other Governm	0.00	75,833.30	-75,833.30	0.0%
Interest	1,577.96	2,625.00	-1,047.04	60.1%
Property Taxes	2,548,565.19	1,675,647.19	872,918.00	152.1%
Total Income	2,550,143.15	1,754,105.49	796,037.66	145.4%
Expense				
Administrative	146,971.50	148,300.25	-1,328.75	99.1%
Capital Outlay	3,950.00	36,020.80	-32,070.80	11.0%
Construction	4,768.51			
District Construction Project	279,588.00	744,100.55	-464,512.55	37.6%
Insurance & Bonds	222.55			
Interest Expense	7,583.44			
Printing & Publishing	0.00	116.65	-116.65	0.0%
Professional/Contractual	88,170.52	451,831.90	-363,661.38	19.5%
Public Restrooms	900.00			
Repairs and Maintenance	2,745.00	8,750.00	-6,005.00	31.4%
Transfer Out to Bond Fund	0.00	521,258.50	-521,258.50	0.0%
Total Expense	534,899.52	1,910,378.65	-1,375,479.13	28.0%
Net Ordinary Income	2,015,243.63	-156,273.16	2,171,516.79	-1,289.6%
Other Income/Expense				
Other Expense				
Ask Jean	0.00			
Total Other Expense	0.00			
Net Other Income	0.00	0.00	0.00	0.0%
Net Income	2,015,243.63	-156,273.16	2,171,516.79	-1,289.6%

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02/04/21

Accrual Basis

DDA Old Town TIF
Profit & Loss Budget vs. Actual
 July 2020 through January 2021

	<u>Jul '20 - Jan 21</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Income				
Interest	167.48	58.30	109.18	287.3%
Property Taxes	428,839.25	261,216.65	167,622.60	164.2%
Use of Fund Balance	0.00	58,333.30	-58,333.30	0.0%
Total Income	<u>429,006.73</u>	<u>319,608.25</u>	<u>109,398.48</u>	<u>134.2%</u>
Expense				
Adm/Eng Services	63,521.50	71,163.75	-7,642.25	89.3%
Capital Outlay	0.00	5,790.75	-5,790.75	0.0%
District Construction Project	0.00	165,025.00	-165,025.00	0.0%
Printing & Publishing	0.00	58.30	-58.30	0.0%
Professional/Contractual	0.00	62,403.81	-62,403.81	0.0%
Total Expense	<u>63,521.50</u>	<u>304,441.61</u>	<u>-240,920.11</u>	<u>20.9%</u>
Net Income	<u>365,485.23</u>	<u>15,166.64</u>	<u>350,318.59</u>	<u>2,409.8%</u>

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02/04/21
Accrual Basis

Downtown Development Authority
Profit & Loss Budget vs. Actual
July 2020 through January 2021

	Jul '20 - Jan 21	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense Income				
Administrative Services	735,972.56	792,285.65	-56,313.09	92.9%
Farmers Market online Revenue	65,675.15	0.00	65,675.15	100.0%
Grants - EGLE cornwell	3,125.00	2,012,500.00	-2,009,375.00	0.2%
Grants income	0.00	0.00	0.00	0.0%
Interest & Dividends	9,737.20	291.65	9,445.55	3,338.7%
Miscellaneous Revenue	305.00			
Property Taxes	55,254.22	80,208.30	-24,954.08	68.9%
Rents	34,887.02	24,500.00	10,387.02	142.4%
Use of Fund Balance	0.00	10,089.30	-10,089.30	0.0%
Winter Projects	2,500.00			
Total Income	907,456.15	2,919,874.90	-2,012,418.75	31.1%
Gross Profit	907,456.15	2,919,874.90	-2,012,418.75	31.1%
Expense				
Civic Square	0.00	1,750,000.00	-1,750,000.00	0.0%
Communications	4,446.88	29,166.65	-24,719.77	15.2%
Community Promotion	7,271.00	11,666.65	-4,395.65	62.3%
Contract Services	800.00	18,083.30	-17,283.30	4.4%
Dues and Memberships	1,832.55			
Equipment	0.00	255,500.00	-255,500.00	0.0%
Grant Exp Buy Local Give Local	-2,000.00	0.00	-2,000.00	100.0%
Grant Exp Tech Incubator	0.00	0.00	0.00	0.0%
Insurance & Bonds	0.00	1,050.00	-1,050.00	0.0%
Legal	0.00	2,916.65	-2,916.65	0.0%
Lodging, meals	1,056.85	5,833.30	-4,776.45	18.1%
Miscellaneous Expense	0.00	1,166.65	-1,166.65	0.0%
Office Supplies	9,653.97	7,583.30	2,070.67	127.3%
Online Farmers Market Expense	41,226.53	30,916.65	10,309.88	133.3%
Operation Supplies	1,074.97			
Payroll Expenses				
Fringe Benefits				
457 Company Matching	35,244.52			
Disability Insurance Benifits	21,385.26			
Health Insurance	64,385.45			
Fringe Benefits - Other	0.00	180,178.80	-180,178.80	0.0%
Total Fringe Benefits	121,015.23	180,178.80	-59,163.57	67.2%
Salaries and Wages				
Hourly Wage Expense	151,163.83			
Medicare Tax Expense	6,325.16			
Salaries & Wages	247,899.29			
Social Security Tax Expense	27,045.49			
SUTA Tax Expense	588.40			
Workers Compensation	5,854.00			
Salaries and Wages - Other	0.00	535,262.55	-535,262.55	0.0%
Total Salaries and Wages	438,876.17	535,262.55	-96,386.38	82.0%

Payroll Expenses - Other	5,300.00				
Total Payroll Expenses	565,191.40	715,441.35	-150,249.95		79.0%
Printing & Publishing	6,277.12	3,500.00		2,777.12	179.3%
Professional/Contractual	134,308.94	64,166.65		70,142.29	209.3%
Rentals	5,779.20	5,250.00		529.20	110.1%
Repairs & Maintenance	0.00	1,750.00		-1,750.00	0.0%
Training	290.00	5,833.30		-5,543.30	5.0%
Transportation	0.00	2,916.65		-2,916.65	0.0%
Utilities	3,931.24	5,250.00		-1,318.76	74.9%
Total Expense	781,140.65	2,917,991.10	-2,136,850.45		26.8%
Net Ordinary Income	126,315.50	1,883.80	124,431.70		6,705.4%
Other Income/Expense					
Other Expense					
Ask Jean	2,320.37				
Total Other Expense	2,320.37				
Net Other Income	-2,320.37	0.00	-2,320.37		100.0%
Net Income	123,995.13	1,883.80	122,111.33		6,582.2%