

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
CLINTON COUNTY, MICHIGAN**

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

YEAR ENDED JUNE 30, 2023

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
JUNE 30, 2023**

BOARD OF DIRECTORS

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Sheryl Landgraf	Vice-Chairperson
Kelly Preston	Treasurer
Corey Rees	Secretary
Cathy Mitchell	Director
Christy Callahan	Director
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INDEPENDENT AUDITOR'S REPORT

Board of Directors of the
City of DeWitt Downtown Development Authority
DeWitt, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of DeWitt Downtown Development Authority, (the Authority), a component unit of the City of DeWitt, Michigan, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Emphasis of a Matter

As discussed in Note 1, the financial statements present only the City of DeWitt Downtown Development Authority and do not purport to, and do not present fairly the financial position of the City of DeWitt, Michigan, as of June 30, 2023, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Maney Costeiran PC

September 29, 2023

**City of DeWitt
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of financial performance provides a comparison overview of the City of DeWitt Downtown Development Authority's (the Authority) financial activities for FY 2022-2023 and FY 2021-2022. Please read this document in conjunction with the Authority's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for FY 2022-2023:

A. Governmental Activities

- Assets of the Authority exceeded its liabilities at the close of FY 2022-2023 by \$386,317.
- The Authority's total net position decreased by \$451 as a result of current year activity.

B. Governmental Fund

- Assets of the Authority exceed its liabilities at the close of FY 2022-2023 by \$171,575.
- The Authority's total fund balance increased by \$11,026 as a result of current year activity.

Using this Annual Report

This annual report consists of several financial statements. The statement of net position and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view which reveals how resources were spent during the year and what resources are available for future spending. Fund financial statements also report the operations of the Authority in more detail than the government-wide financial statements by providing information about the Authority's most significant fund.

The Authority as a Whole

The following table shows, in condensed format, a comparison of net position of the Authority as of June 30, 2022, and June 30, 2023.

	2022	2023
ASSETS		
Current assets	\$ 175,352	\$ 189,883
Capital assets	226,219	215,704
TOTAL ASSETS	401,571	405,587
LIABILITIES		
Current liabilities	14,803	19,270
NET POSITION		
Investment in capital assets	226,219	215,704
Unrestricted	160,549	170,613
TOTAL NET POSITION	\$ 386,768	\$ 386,317

**City of DeWitt
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table shows the changes in net position during the previous and current year.

	2022	2023
REVENUE		
Program revenue		
Charges for services	\$ -	\$ 48,198
Operating grants and contributions	37,152	23,959
General revenue		
Taxes	108,526	117,828
Interest	341	1,728
Miscellaneous	212	297
TOTAL REVENUE	146,231	192,010
PROGRAM EXPENSES		
Salaries	64,551	91,603
Advertising and promotion	5,549	6,741
Audit	2,400	2,550
Operating expenses	78,907	50,703
Maintenance	3,756	4,341
Other	3,404	2,375
Depreciation	10,516	10,515
Capital outlay	15,957	23,633
TOTAL EXPENSES	185,040	192,461
Change in Net Position	\$ (38,809)	\$ (451)

Governmental Activities

The Authority's governmental revenues totaled \$192,010 with the largest revenue source being property taxes. Property taxes make up approximately 61% of the total governmental revenue.

The Authority incurred expenses of \$192,461 during the fiscal year, with the two largest expenses being salaries (\$91,603) and operating expenses (\$50,703). Salaries represents approximately 48% of the annual expenses and operating expenses represent approximately 26% of annual expenses. Operating expenses include various programs and events of the Authority such as the Farmers Market, facade grants, and a Cabin Fever Reliever. Operating expenses decreased \$28,204, or 36%, from the prior year due to decreases related to Christmas Market (\$1,357) and facade grants (\$20,178). The Authority continues to pay for utilities related to Christmas lights in the Authority's district and reimburse the City for work done in the district.

Fund Financial Statements

The General Fund is the chief operating fund of the Authority. During the year the fund balance increased \$11,026 to \$171,575, which represents 95% of annual expenditures. Total revenues increased by \$45,779, or approximately 31%, from the prior year, primarily due to increased participation in the "Cabin Fever" event in the current year. Total expenditures increased by \$6,460, or approximately 4% over the prior year, primarily due to increased staffing.

City of DeWitt
DOWNTOWN DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

During the year, the Authority made necessary budget amendments to fund unanticipated expenditures. Total budgeted revenues were increased by \$24,750 to account for increases in property taxes and revenue related to the Cabin Fever Reliever event. Budgeted expenditures were decreased by \$9,350 with decreases to Farmers Market and the Façade grant program. Actual expenditures came in \$16,436 under the budget appropriations.

Capital Asset Administration

The Authority's investment in capital assets decreased by \$10,515 during the fiscal year as a result of recognizing depreciation expense. Infrastructure improvements in the downtown area were not capitalized by the Authority, as the infrastructure is an asset of the City of DeWitt. See note 3 to the financial statements for additional information related to capital assets.

Long-Term Obligations

The Authority has accumulated a long-term liability for absences that have been earned by employees but not yet redeemed. The balance of compensated absences as of June 30, 2023, is \$962. See note 4 to the financial statements for additional information related to long-term obligations.

Economic Factors and Next Year's Budgets and Rates

The taxable values and captured values continue to recover, and the district will see a slight increase in captured tax revenue for 2024. New development in the district is anticipated to increase the values as well, but personal property tax reimbursement from the State still remains below the levels of pre-PPT reform.

Contacting the Authority

This financial report is intended to provide citizens, taxpayers, customers, and investors with the general overview of the Authority's finances and demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need any additional information, we welcome you to contact the City of DeWitt, 414 East Main Street, DeWitt, MI 48820.

BASIC FINANCIAL STATEMENTS

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET/STATEMENT OF NET POSITION
JUNE 30, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Current assets			
Cash	\$ 44,629	\$ -	\$ 44,629
Investments	145,254	-	145,254
	<u>189,883</u>	<u>-</u>	<u>189,883</u>
Noncurrent assets			
Capital assets not being depreciated	-	110,549	110,549
Capital assets, net of accumulated depreciation	-	105,155	105,155
	<u>-</u>	<u>215,704</u>	<u>215,704</u>
	<u>\$ 189,883</u>	<u>215,704</u>	<u>405,587</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Current liabilities			
Accounts payable	\$ 11,307	-	11,307
Accrued liabilities	2,219	-	2,219
Due to other governmental units	4,782	-	4,782
Compensated absences	-	962	962
	<u>18,308</u>	<u>962</u>	<u>19,270</u>
FUND BALANCE			
Committed	75,690	(75,690)	-
Unassigned	95,885	(95,885)	-
	<u>171,575</u>	<u>(171,575)</u>	<u>-</u>
	<u>\$ 189,883</u>	<u>-</u>	<u>-</u>
NET POSITION			
Investment in capital assets		215,704	215,704
Unrestricted		170,613	170,613
		<u>\$ 386,317</u>	<u>\$ 386,317</u>

See accompanying notes to financial statements.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total fund balance - governmental fund \$ 171,575

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	\$ 320,859	
Accumulated depreciation is	<u>(105,155)</u>	
		215,704

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Compensated absences		<u>(962)</u>
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Net position of governmental activities \$ 386,317

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES/EXPENSES			
Current			
Salaries	\$ 90,641	\$ 962	\$ 91,603
Advertising and promotion	6,741	-	6,741
Audit	2,550	-	2,550
Operating expenditures/expenses	50,703	-	50,703
Maintenance	4,341	-	4,341
Depreciation	-	10,515	10,515
Miscellaneous	2,375	-	2,375
Capital outlay	23,633	-	23,633
TOTAL EXPENDITURES/EXPENSES	<u>180,984</u>	<u>11,477</u>	<u>192,461</u>
PROGRAM REVENUES			
Charges for services	48,198	-	48,198
Operating grants and contributions	23,959	-	23,959
TOTAL PROGRAM REVENUES	<u>72,157</u>	<u>-</u>	<u>72,157</u>
NET PROGRAM EXPENDITURES/EXPENSES	<u>(108,827)</u>	<u>(11,477)</u>	<u>(120,304)</u>
GENERAL REVENUES			
Property taxes	117,828	-	117,828
Interest	1,728	-	1,728
Other	297	-	297
TOTAL GENERAL REVENUES	<u>119,853</u>	<u>-</u>	<u>119,853</u>
NET CHANGE IN FUND BALANCE	11,026	(11,477)	-
CHANGE IN NET POSITION	-	-	(451)
Fund balance/Net position			
Beginning of year	<u>160,549</u>	<u>226,219</u>	<u>386,768</u>
End of year	<u>\$ 171,575</u>	<u>\$ 214,742</u>	<u>\$ 386,317</u>

See accompanying notes to financial statements.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net change in fund balance - governmental fund \$ 11,026

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (10,515)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in compensated absences (962)

Change in net position of governmental activities \$ (451)

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of DeWitt Downtown Development Authority (the Authority) was created on May 7, 1981, pursuant to Act 197 of the Public Acts of Michigan, 1975 as amended. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the City of DeWitt ordinance establishing the Authority.

The primary revenue of the City of DeWitt Downtown Development Authority is “tax increment revenue”. The taxing units are required by law to transmit to the Authority that portion of the tax levy of all taxing bodies paid each year on the captured assessed value of all real and personal property located in the development area. The “captured assessed value” is basically defined as the amount in any one year by which the current assessed value of the project area exceeds the initial assessed value.

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

Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the City of DeWitt Downtown Development Authority. The Authority is considered a component unit of the City of DeWitt, Michigan, and is discretely presented in the City of DeWitt’s (the primary government) financial statements. A copy of the City’s audited financial statements may be obtained at the DeWitt City Hall.

Basis of Presentation and Measurement Focus

Combined financial statements are provided for the Governmental Fund Balance Sheet and the Statement of Net Position, and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities. Descriptions of both presentations included in the basic financial statements are as follows:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and property taxes and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation and Measurement Focus (continued)

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The *Major Fund* of the Authority is:

General Fund - The general operating fund is used to account for all financial resources of the Authority which are restricted to expenditures for downtown development purposes.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes.

The government-wide financial statements are prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenue is recorded in the period in which it is earned, and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Unearned revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received.

Governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used 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 period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting (continued)

If/when both restricted and unrestricted resources are available for use, it is the Authority's practice to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

The annual budget of the Authority is prepared by Authority management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget is prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. The budget is legally adopted at the total expenditure level; however, it is maintained at the account level for control purposes.

Cash and Investments

Cash consists of the Authority's checking and savings accounts. Investments consist of temporary investments in certificates of deposit with original maturities of greater than 90 days. Investments are stated at fair value.

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Capital Assets

Capital assets are recorded, net of accumulated depreciation, in the government-wide financial statements. All assets with a useful life exceeding one year and with a cost of \$5,000 or more are recorded as capital assets. Capital assets are not recorded in the governmental fund. Instead, capital acquisition and construction are reflected as expenditures in governmental funds and the related assets are reported in the government-wide financial statements. All purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated acquisition cost on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
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Compensated Absences

Authority employees are granted vacation hours up to a maximum of 160 hours at the employee's anniversary date. In the event of termination, an employee is paid for accumulated vacation hours up to the maximum.

Authority employees are allowed to accrued sick hours up to a maximum of 480 hours. Fifty percent of unused sick time for the preceding 12 months may be paid on or about December 1 of each year. Employees are not paid for accumulated sick time in the event of termination.

The cost of accumulated vacation, including related payroll taxes, is recorded entirely in the government-wide financial statements.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet/statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fund balances/net position that applies to a future period and will not be recognized as an outflow of resources (expenditure/expense) until then.

In addition to liabilities, the balance sheet/statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents a consumption of fund balances/net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

Currently, the Authority does not have any items that meet the recognition criteria for classification as deferred outflows of resources or deferred inflows of resources.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fund Balance Classifications

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Authority's highest level of decision-making authority is the Authority Board of Directors. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution of the Authority Board of Directors.

For assigned fund balance, the Authority Board of Directors has not approved a policy indicating who is authorized to assign amount to a specific purpose. As a result, this authority is retained by the Authority Board of Directors.

The Authority Board of Directors has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy restricted amounts will be used first, followed by committed, then assigned, and finally unassigned fund balance.

Use of Estimates

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

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS

As of June 30, 2023, the Authority had deposits subject to the following risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of June 30, 2023, the Authority's bank balance of \$189,357 was fully insured by the Federal Deposit Insurance Corporation (FDIC). The carrying value on the books for deposits at the end of the year was \$189,883.

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Board and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business in accordance with Board approved policy.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of June 30, 2023, the Authority did not have any investments that would be subject to rating.

Interest Rate Risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The cash and investments referred to above have been reported in the cash or investments captions on the basic financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of June 30, 2023:

Cash	\$ 44,629
Investments	<u>145,254</u>
	<u><u>\$ 189,883</u></u>

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets not being depreciated				
Land	\$ 110,549	\$ -	\$ -	\$ 110,549
Capital assets being depreciated				
Land improvements	210,310	-	-	210,310
Less accumulated depreciation for:				
Land improvements	<u>(94,640)</u>	<u>(10,515)</u>	<u>-</u>	<u>(105,155)</u>
Net capital assets being depreciated	<u>115,670</u>	<u>(10,515)</u>	<u>-</u>	<u>105,155</u>
Capital assets, net	<u>\$ 226,219</u>	<u>\$ (10,515)</u>	<u>\$ -</u>	<u>\$ 215,704</u>

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portion) of the Authority for the year ended June 30, 2023:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Amounts Due Within One Year</u>
Other long-term obligations					
Compensated absences	<u>\$ -</u>	<u>\$ 1,748</u>	<u>\$ (786)</u>	<u>\$ 962</u>	<u>\$ 962</u>

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused vacation. The dollar amount of these vested rights have been recorded in the government-wide financial statements. They amount to approximately \$962 at June 30, 2023.

NOTE 5 - RISK MANAGEMENT

The Authority, as a component unit of the City of DeWitt, is protected from losses as described in the note captioned "Risk Management" within the City's Annual Financial Report.

NOTE 6 - FUND BALANCE COMMITMENT

The Authority's Board of Directors has committed \$75,690 of fund balance for the purpose of land/parking lot acquisition.

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

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

NOTE 8 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2023, the Authority implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Authority’s financial statement after the adoption of GASB Statement No. 96.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF DEWITT
DOWNTOWN DEVELOPMENT AUTHORITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2023**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 110,000	\$ 117,500	\$ 117,828	\$ 328
Intergovernmental - State	6,500	6,800	6,884	84
Interest	500	1,000	1,728	728
Other				
Cabin Fever Reliever	30,000	50,000	50,429	429
Farmers Market	4,500	6,750	8,439	1,689
Christmas Market	-	-	655	655
Cruise in	-	-	750	750
LEAP grant	-	5,000	5,000	-
Miscellaneous	11,000	200	297	97
TOTAL REVENUES	162,500	187,250	192,010	4,760
EXPENDITURES				
Current				
Salaries	96,780	96,780	90,641	6,139
Contractual services	1,000	1,000	-	1,000
Advertising and promotion	6,000	5,100	6,741	(1,641)
Audit	2,350	2,550	2,550	-
Operating expenditures				
Flowers	1,000	1,000	-	1,000
Farmers Market	5,000	3,500	2,925	575
Cruise in	1,500	1,500	1,417	83
Christmas Market	8,000	9,200	9,185	15
Cabin Fever Reliever	20,000	21,200	21,075	125
Flags	1,200	1,900	-	1,900
Painted Crosswalk	5,000	5,000	-	5,000
Membership	3,000	3,000	955	2,045
Fascade grant program	15,000	6,000	5,634	366
Other operating	2,550	10,800	9,512	1,288
Maintenance	4,200	4,200	4,341	(141)
Miscellaneous	3,190	3,190	2,375	815
Capital outlay	31,000	21,500	23,633	(2,133)
TOTAL EXPENDITURES	206,770	197,420	180,984	16,436
NET CHANGE IN FUND BALANCE	(44,270)	(10,170)	11,026	21,196
Fund balance, beginning of year	160,549	160,549	160,549	-
Fund balance, end of year	<u>\$ 116,279</u>	<u>\$ 150,379</u>	<u>\$ 171,575</u>	<u>\$ 21,196</u>