

**TO:** Downtown Development Authority Board of Directors

**FROM:** Andrew Haan, Executive Director

**DATE:** June 12, 2017

**RE:** March Meeting

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The next regular meeting of the Kalamazoo Downtown Development Authority is scheduled to take place on Monday, June 19, 2017 at 3:00 p.m. in the Community Room, City Hall - 241 West South Street.

AH  
Attachments

pc: Michael O'Connor  
City Clerk

**The Downtown Development Authority** exists to correct and prevent deterioration in the downtown district; to encourage historical preservation; to create and implement development plans in the district; and to promote the economic growth of the district.

**DOWNTOWN DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS  
REGULAR MEETING AGENDA**

**DATE:** Monday, June 19, 2017

**TIME:** 3:00 p.m.

**PLACE:** Community Room, City Hall

- I. CALL TO ORDER
- II. ROLL CALL
  - Motion to adopt
- III. ADOPTION OF AGENDA
  - Motion to adopt
- IV. MINUTES – May 15, 2017
  - Motion to approve
- V. FINANCIAL REPORT – 2 MILL and TIF May 2017, TPM April 2017
  - Motion to accept
- VI. ACTION ITEMS
  - A. Presentation of Audit – BDO
    - Motion to accept
- VII. DISCUSSION ITEMS
  - A. 302 Academy
  - B. Bob Gibbs report
  - C. Urban Growth Initiative
  - D. ACW update

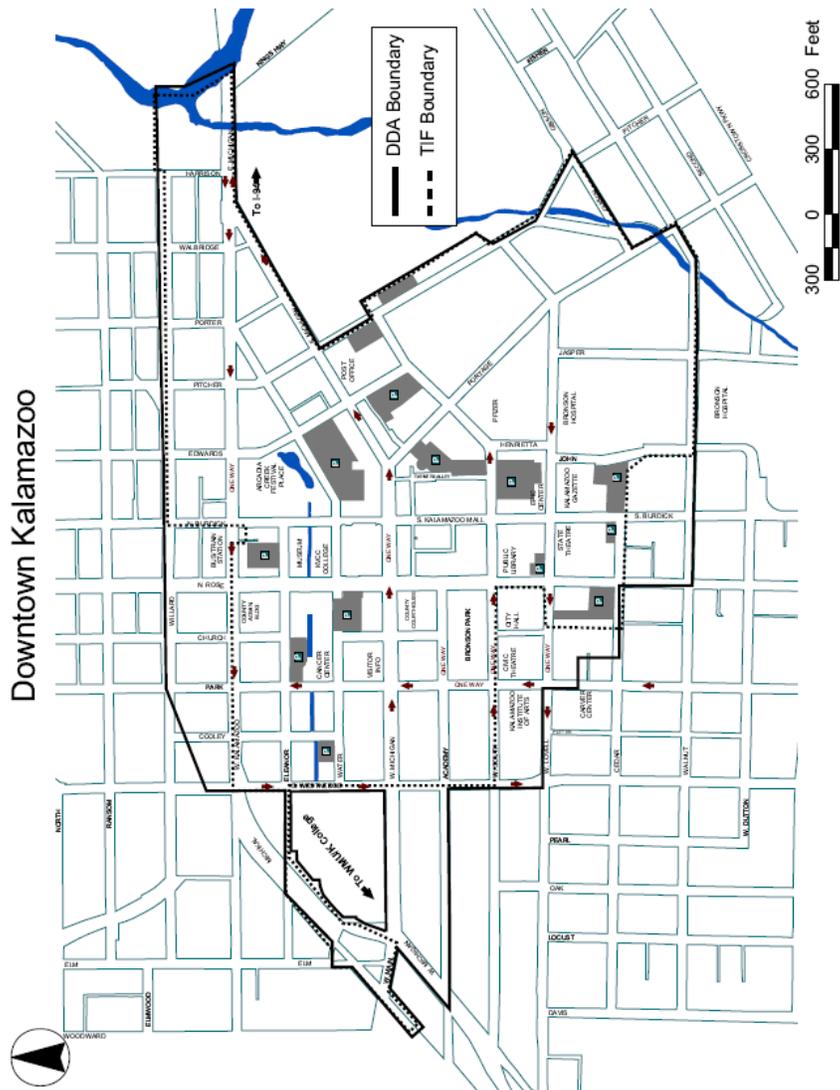
**The Downtown Development Authority** exists to correct and prevent deterioration in the downtown district; to encourage historical preservation; to create and implement development plans in the district; and to promote the economic growth of the district.

- VIII. COMMITTEE REPORTS (Time Permitting)
  - A. Transportation, Parking, & Mobility
  - B. Capital Improvements
  - C. Project Review
  - D. Citizens Council
  - E. Safety
  
- IV. DIRECTOR COMMENTS
  
- X. PUBLIC COMMENTS
  
- XI. ADJOURNMENT

DOWNTOWN DEVELOPMENT AUTHORITY  
MEETING PROCEDURES

1. A person may speak on “Action or Discussion” items on the Downtown Development Authority’s agenda. The Chairperson will ask for people’s comments as each of these agenda items are discussed.
2. To address the Downtown Development Authority, please clearly state your name and business or home address for the record so that a response to your inquiry can be completed if necessary. Please limit your comments to four minutes.
3. Comments on non-agenda items are reserved for “Public Comments” agenda item prior to adjournment of the meeting.
4. Out of respect for business being conducted during the meeting, please turn off all cell phones and pagers prior to the start of the meeting.

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**DOWNTOWN DEVELOPMENT AUTHORITY  
BOARD OF DIRECTORS**

**REGULAR MEETING MINUTES**

**May 15, 2017**

**DIRECTORS PRESENT:** Greg Taylor, Bob Miller, Grant Fletcher, Susan Lindemann, Stephanie Hinman, Derek Wissner, Carl Brown, Bobby Hopewell, Patti Owens

**DIRECTORS ABSENT:** Bjorn Green

**STAFF PRESENT:** Andrew Haan, Patrick Halpin, Deb Houseman, Sue Huggett

**OTHER:** Mike O'Connor, Chris Shook, Emily Deering, Matthew Caruso, John Schmitt, Jeff Breneman

**I. CALL TO ORDER**

Director Taylor called the meeting to order at 3:01pm.

Roll call: Director Taylor, Owens, Miller, Lindeman, Mayor Hopewell, Hinman, Fletcher, Wissner

Director Brown arrived after roll call.

**DIRECTOR OWENS MOVED TO EXCUSE ABSENT BOARD MEMBERS.  
SUPPORTED BY DIRECTOR FLETCHER. MOTION CARRIED.**

**II. ADOPTION OF AGENDA**

Chemical Bank Security Assignment Consent will be added as Action Item B.

**DIRECTOR MILLER MOVED TO ADOPT THE AGENDA AS AMENDED.  
SUPPORTED BY DIRECTOR OWENS. MOTION CARRIED.**

**III. MINUTES – April 17, 2017**

**DIRECTOR MAYOR HOPEWELL MOVED TO APPROVE THE BOARD  
MINUTES. SUPPORTED BY DIRECTOR OWENS. MOTION CARRIED.**

**IV. FINANCIAL REPORT- 2 MILL and TIF April 2017, TPM March 2017**

D. Houseman reviewed the financials, and opened for questions. There were no questions.

**DIRECTOR MAYOR HOPEWELL MOVED TO APPROVE THE FINANCIAL STATEMENTS AS PRESENTED. SUPPORTED BY DIRECTOR MILLER. MOTION CARRIED.**

**V. ACTION ITEMS**

**A. Public Hearing on Downtown Redevelopment Liquor License Request**

**DIRECTOR MILLER MOVED TO OPEN THE PUBLIC HEARING FOR THE LIQUOR LICENSE. SUPPORTED BY DIRECTOR WISSNER.**

M. Caruso introduced the Stamped Robin, a wine and cocktail lounge. The lounge will specialize in a wine on tap program, similar to beer on tap at bars.

E. Deering shared that they are looking to open the Stamped Robin at 128 Portage Street, where the Spirit of Kalamazoo was previously located. They plan to open by August 1, 2017.

**a) Public Comments**

C. Shook stated his support for the Stamped Robin liquor license.

J. Schmitt shared that SCORE has been working with the Stamped Robin.

**DIRECTOR OWENS MOVED TO CLOSE THE PUBLIC HEARING FOR THE LIQUOR LICENSE. SUPPORTED BY DIRECTOR LINDEMANN.**

Director Mayor Hopewell asked for information on act changes to the DDA liquor licenses legislation. J. Schmitt stated that he can share the MLCC code book with the Board. This specific act was changed in 2012, which states that there is no longer a set percentage of sales that must be met by food sales, and that the seating capacity requirement has been lowered from 50 to 25.

**DIRECTOR MILLER MOVED TO APPROVE THE LIQUOR LICENSE FOR THE STAMPED ROBIN AT 128 PORTAGE ROAD. SUPPORTED BY DIRECTOR OWENS. ROLL CALL VOTE: 9-0. MOTION CARRIED.**

Director Mayor Hopewell stated that this will be voted on at the City Commission later on 5/15/17.

**B. Chemical Bank Security Assignment Consent**

M. O'Connor shared that DDA has a TIF agreement, where DDA agrees to reimburse the developer up to \$3,300,000 for the public improvements that will be made at the Exchange site. It is agreed to reimburse at the rate of what is captured annually, but not to exceed \$103,381 a year. The developers are asking the DDA to consent to a security assignment of the TIF agreement to their overall lender.

**DIRECTOR WISSNER MOVED TO APPROVE THE CHEMICAL BANK SECURITY ASSIGNMENT. SUPPORTED BY DIRECTOR BROWN. MOTION CARRIED. DIRECTOR TAYLOR ABSTAINED.**

## **VI. DISCUSSION ITEMS**

### **A. 302 Academy Proposal**

A. Haan shared that the Congregational Church has purchased the 302 Academy Street building, and are seeking proposals for redevelopment. DKI's proposal is for the Church to postpone redevelopment for one year and work with the Ds and the City to create a comprehensive plan for the developments around Bronson Park. The Church's current leading proposal is to demolish the building and create a park for the congregation. A. Haan would like the DDA Board's endorsement on this proposal.

**DIRECTOR OWENS MOVED APPROVAL TO ENDORSE THE 302 ACADEMY PROPOSAL. SUPPORTED BY DIRECTOR MAYOR HOPEWELL.**

Director Miller suggested DDA offer the Church an option agreement to help mitigate the carrying costs the Church possess and motivate them to accept the proposal. Director Brown asked if the purpose of the DDA includes purchase of real-estate or the facilitation of development. Director Wissner stated that the DDA mission is to "prevent deterioration of downtown, encourage historic preservation, and implement development plans".

**DIRECTOR WISSNER MOVED TO AUTHORIZE A. HAAN ENTER INTO AN OPTION, AGREEMENT WITH FIRST CONGREGATIONAL CHURCH IN NOT TO EXCEED \$10,000 TO COVER HOLDING COSTS OF 302 ACADEMY BUILDING**

Director Taylor shared no legal action was to take place with this motion, unless it is on the agenda as an Action Item. A. Haan shared that he is solely asking for a signed endorsement of this proposal from the DDA Board.

**DIRECTOR WISSNER MOVED TO APPROVE THE 302 ACADEMY PROPOSAL AND AUTHORIZE A. HAAN TO EXPLORE OPTIONS AND BRING THEM BACK TO THE BOARD FOR APPROVAL.**

**DIRECTOR WISSNER WITHDREW HIS MOTION.**

**DIRECTOR OWENS MOVED FOR THE DDA BOARD TO ENDORSE THE PROSPOSAL, AND AUTHORIZED A. HAAN TO ENTER INTO IN NONBINDING NEGOTIATIONS. SUPPORTED BY DIRECTOR MAYOR HOPEWELL. MOTION CARRIED. DIRECTOR LINDEMANN ABSTAINED.**

## **B. Urban Growth Initiative**

A. Haan shared that the draft document is planned to be finished by June 9<sup>th</sup>.

## **VII. COMMITTEE REPORTS**

### **A. Transportation, Parking & Mobility**

A. Haan shared that the committee is discussing creating a holistic parking meter plan in downtown, and is exploring a pilot parking plan for the east-end of downtown.

### **B. Capital Improvements**

P. Halpin shared that 20 bike racks have been purchased, and we are working with R. Kik on placement. Director Owens noted that bike racks may not be able to be installed in areas with snowmelt under pavement.

The Arcadia Creek dredging began last week, and the repairs on the Creek wall began today.

The committee has received the initial design and cost for Bates Alley. The MEDC video was shot last week, and will be included in the Patronicity Campaign.

### **C. Project Review**

No update was given.

### **D. Citizens Council**

P. Halpin shared that D. Killarney will become the new Chair, and the committee is looking for new members.

### **B. Safety**

P. Halpin shared that a safety task force is meeting with the security company, as part of the PARCS upgrades, to provide feedback for the security of the ramps.

P. Halpin shared the completed projects that took place on the Annual Clean-Up Day, and thanked Director Owens for her participation. Planting Day will be on Thursday, May 25<sup>th</sup>.

A. Haan shared that MDOT has begun the planning and environmental linkages process.

A. Haan shared that Bob Gibbs will return on May 31<sup>st</sup> to share his findings and recommendations for downtown Kalamazoo. His findings show that downtown could support an additional \$38,000,000 in retail sales a year, under ideal circumstances.

## **VIII. DIRECTOR COMMENTS**

Director Mayor Hopewell suggested we monitor water-pooling on pedestrian walkways, and broken curbs on sidewalks.

Director Taylor shared that J. Breneman's appointment is on tonight's City Commission agenda.

## **IX. PUBLIC COMMENTS**

J. Schmitt stated that he is unable to find DDA minutes on either the D's or the City's website. He also cautioned on spending DDA's public dollars on private development.

## **X. ADJOURNMENT**

The meeting was adjourned at 4:36pm.

**APPROVED:** \_\_\_\_\_

Sarah Mead

Recording Secretary

2017 DDA COMBINED BUDGET FOR 2 MILL, TIF, AND TPM					
2 MILL AND TIF - MAY 31, 2017					
TPM - APRIL 30, 2017					
TOTAL DDA					
		MONTH TO	YEAR TO DATE	DKI	
		DATE	DATE	2017 BUDGET	
<b>REVENUES:</b>					
#1	2 MILL LEVY CURRENT YEAR	\$0.16	\$0.16	\$269,237.00	
#1	2 MILL LEVY PRIOR YEAR(S)	\$4,320.27	\$4,320.27	\$1,000.00	
	INTEREST	\$433.02	\$658.27	\$620.00	
#2	MISC	\$1,395.75	\$1,530.21	\$1,500.00	
#3	USEABLE TIF COLLECTIONS	\$384,400.00	\$384,400.00	\$922,553.00	
	DEBT SERVICE TIF COLLECTIONS	\$0.00	\$474,300.00	\$730,800.00	
	FESTIVAL PLACE MAINTENANCE FEES	\$0.00	\$0.00	\$26,000.00	\$26,000.00 A.
	CITY OF KALAMAZOO MALL MAINTENANCE	\$0.00	\$55,343.00	\$55,343.00	
#4	BOND REFINANCE SAVINGS FROM TPM	\$63,861.26	\$63,861.26	\$63,861.00	
	LIQUOR LICENSE APPLICATION FEES	\$0.00	\$350.00	\$0.00	
	STREET METERS	\$28,950.59	\$108,831.57	\$449,802.00	
#5	UNATTENDED	\$41,588.67	\$141,224.44	\$433,179.00	
#6	ATTENDED	\$174,198.08	\$592,298.21	\$1,935,836.00	
#7	ENFORCEMENT	\$16,705.00	\$83,612.00	\$378,423.00	
	METRO TRANSIT FEE	\$197.80	\$723.75	\$2,447.00	
	ARCADIA LAND CONTRACT	\$0.00	\$830.01	\$3,320.00	
#8	TIF DEBT SERVICE ASSISTANCE	\$6,300.00	\$6,300.00	\$253,200.00	E.
	TIF RAMP 3 SUBSIDY	\$0.00	\$0.00	\$19,271.00	
	TIF CONTRACTED DOWNTOWN MAINTENANCE	\$0.00	\$0.00	\$40,000.00	
	CONTINGENCY	\$0.00	\$0.00	-\$15,298.00	
	REVENUE BOND	\$0.00	\$8,925.51	\$1,705,825.00	
<b>TOTAL DDA REVENUES</b>		<b>\$722,350.60</b>	<b>\$1,927,508.66</b>	<b>\$7,276,919.00</b>	
	BRAND AND ENGAGEMENT REVENUES FROM TIF				\$50,000.00 B.
	BUS RECRUITMENT & RETENTION REV FROM TIF				\$80,000.00 C.
	DKI DOWNTOWN MAINTENANCE GRANTS				\$60,000.00 D.
<b>TOTAL DKI REVENUES</b>				<b>\$216,000.00</b>	
<b>EXPENDITURES:</b>					
<b>OPERATING EXPENDITURES:</b>					
	D&O INSURANCE	\$0.00	\$0.00	\$3,500.00	
#9	LEGAL SERVICES	\$4,811.00	\$8,791.00	\$59,000.00	
	LEGAL NOTICES	\$0.00	\$0.00	\$800.00	
	AUDIT	\$4,225.00	\$6,725.00	\$26,075.00	
	DKI SERVICE AGREEMENT	\$32,254.50	\$154,605.50	\$387,050.00	
	MISC	\$0.00	\$112.71	\$500.00	
	LIABILITY INSURANCE	\$0.00	\$3,953.80	\$6,630.00	
#10	SALARIES & WAGES	\$57,802.09	\$249,757.69	\$807,954.00	
#10	PAYROLL TAXES	\$10,970.53	\$45,292.13	\$144,462.00	
#10	WORKERS COMPENSATION	\$2,797.82	\$11,160.30	\$40,332.00	
	HOSPITALIZATION & BENEFITS	\$10,896.77	\$43,837.79	\$130,977.00	
	EMPLOYEE RELATIONS/TRAINING	\$0.00	\$0.00	\$1,500.00	
	PERSONNEL SELECTION	\$0.00	\$0.00	\$3,500.00	
	EQUIPMENT PURCHASE/LEASE	\$690.68	\$1,861.91	\$10,100.00	
	LIABILITY CLAIMS	\$319.15	\$1,054.54	\$3,000.00	
	AUTO & TRUCK EXPENSE	\$1,015.83	\$4,169.73	\$13,825.00	
	REPAIRS & MAINTENANCE	\$4,051.76	\$5,747.14	\$133,976.00	
	UTILITIES	\$15,792.14	\$68,697.80	\$169,000.00	
	TELEPHONE	\$944.99	\$4,912.80	\$16,770.00	
	WEBSITE	\$0.00	\$141.65	\$2,050.00	
	SIGNAGE	\$40.90	\$342.00	\$5,000.00	
	MATERIALS & OFFICE SUPPLIES	\$1,111.40	\$3,761.71	\$20,167.00	
	CUSTOMER SERVICE PROGRAM	\$0.00	\$172.26	\$1,700.00	
	POSTAGE	\$646.49	\$2,622.41	\$8,350.00	
	FORMS & PRINTING	\$1,260.07	\$8,495.61	\$28,800.00	
	OUTSIDE CONTRACT SERVICES	\$28,207.72	\$104,509.21	\$337,220.00	
	OFFICE LEASE	\$2,256.75	\$9,027.00	\$27,487.00	
	RAMP 3 RESERVE	\$0.00	\$0.00	\$37,500.00	
	ABM MGMT FEE	\$15,539.50	\$62,158.00	\$187,254.00	
	OPERATING CONTINGENCY	\$0.00	\$0.00	\$3,019.00	
		\$0.00	\$0.00	\$0.00	

2017 DDA COMBINED BUDGET FOR 2 MILL, TIF, AND TPM					
2 MILL AND TIF - MAY 31, 2017					
TPM - APRIL 30, 2017					
TOTAL DDA					
	MONTH TO	YEAR TO DATE			DKI
	DATE	DATE	2017 BUDGET		
<b>INITIATIVES/PROGRAMS:</b>					
	FESTIVAL SITE MAINTENANCE FEES TO TIF		\$0.00	\$26,000.00	A.
	BRAND & ENGAGEMENT	\$4,166.67	\$20,833.35	\$50,000.00	B.
#11	BUSINESS RECRUITMENT & RETENTION	\$4,992.00	\$4,992.00	\$80,000.00	C.
	MALL ASSESSMENT	\$0.00	\$0.00	\$15,000.00	
	BUILDING REVITALIZATION	\$0.00	\$0.00	\$15,000.00	
	DOWNTOWN MAINTENANCE	\$5,990.92	\$16,017.15	\$250,000.00	D.
	SPECIAL PROJECTS	\$0.00	\$0.00	\$10,000.00	
<b>DEBT SERVICE/OTHER OBLIGATIONS:</b>					
	ARCADIA CREEK BONDS	\$0.00	\$468,000.00	\$477,600.00	
#12	BUILDING AUTHORITY BONDS	\$6,300.00	\$12,600.00	\$506,400.00	E.
	TIF CAPTURE RAMP 3	\$0.00	\$0.00	\$19,271.00	
	MILLER CANFIELD TIF CAPTURE	\$0.00	\$0.00	\$20,793.00	
	PLAZA CORP DEPOT PROJECT	\$0.00	\$0.00	\$2,800.00	
	FESTIVAL PLACE	\$0.00	\$128,472.46	\$128,473.00	
	METROPOLITAN CENTER	\$0.00	\$0.00	\$48,900.00	
#13	ZOETIS TAX APPEAL	\$47,610.43	\$47,610.43	\$47,611.00	
#14	REBATED TAXES	\$36,460.82	\$48,430.26	\$120,000.00	
	CITY OF KALAMAZOO LOAN	\$0.00	\$0.00	\$76,460.00	
#15	RAMP #3 DEBT SERVICE	\$105,221.00	\$105,221.00	\$643,253.00	
	TIF CONTRIBUTION	\$0.00	\$0.00	\$63,861.00	
#16	5 YEAR TPM DEBT SERVICE	\$35,350.00	\$35,350.00	\$50,000.00	
<b>5 YEAR PLAN EXPENDITURES:</b>					
	CAPITAL EXPENDITURES	\$0.00	\$0.00	\$247,298.00	
	LOT EXPENDITURES	\$0.00	\$0.00	\$50,000.00	
	5 YEAR TPM PLAN CONSULTANT SERVICES	\$0.00	\$0.00	\$25,000.00	
	TECHNOLOGY	\$0.00	\$0.00	\$50,000.00	
	MARKETING	\$0.00	\$0.00	\$20,000.00	
	ACCESS CONTROL EQUIPMENT	\$0.00	\$8,925.51	\$1,274,301.00	
	TRANSPORTATION & MOBILITY	\$0.00	\$0.00	\$30,000.00	
	5 YEAR TPM PLAN CONTINGENCY	\$0.00	\$0.00	\$29,797.00	
				\$0.00	
	<b>TOTAL EXPENDITURES</b>	<b>\$441,726.93</b>	<b>\$1,698,361.85</b>	<b>\$6,969,316.00</b>	<b>\$216,000.00</b>
	<b>**</b>	<b>\$280,623.67</b>	<b>\$229,146.81</b>	<b>\$307,603.00</b>	<b>\$0.00</b>
	** POSITIVE # = REVENUES EXCEED EXPENDITURES				
	** NEGATIVE # = EXPENDITURES EXCEED REVENUES				
<b>DKI/DDA RELATED BUDGET NOTES:</b>					
A.	DKI IS FUNDING THIS REVENUE AMOUNT TO TIF TO HELP COVER MAINTENANCE OF THE FESTIVAL SITE. THE AMOUNTS SHOWING UP IN THE IN THE DKI BUDGET ARE THE USER FEES COLLECTED AND THE EXPENSE IS THE TRANSFER OF THOSE FUNDS TO TIF REFLECTED ABOVE. IT IS NOT AN ADDITIONAL MAINTENANCE EXPENSE IN DKI.				
B.	THE TIF BUDGET REFLECTS \$50,000 IN EXPENSE FOR FUNDS BEING TRANSFERRED TO DKI TO HELP FUND BRAND AND ENGAGEMENT. THE TOTAL BRAND AND ENGAGEMENT BUDGET IN DKI REFLECTS THE \$50,000 IN REVENUE RECEIVED FROM TIF AND THE \$187,000 IN EXPENSES BUDGETED. THE REMAINING \$137,000 IN EXPENSE IS FUNDED THROUGH GRANTS AND SPONSORSHIPS RECEIVED BY DKI.				
C.	THE BUSINESS RECRUITMENT AND RETENTION IS BOTH AN \$80,000 REVENUE AND EXPENSE IN DKI. THE \$80,000 IN TIF IS A CONTRIBUTION FROM TIF TO DKI TO FUND THIS ACTIVITY.				
D.	IN DKI THERE IS A LINE ITEM FOR BOTH MAINTENANCE GRANT REVENUES AND DOWNTOWN MAINTENANCE EXPENSE. THIS IS TO COVER ADDITIONAL MAINTENANCE DOWNTOWN OVER AND ABOVE THE AMOUNT BUDGETED IN TIF. IN THE PAST THESE FUNDS HAVE BEEN USED FOR FESTIVAL SITE REPAIRS, LED LIGHTING, AND WAYFINDING SIGNAGE REPAIRS.				
<b>TIF/TPM RELATED BUDGET NOTES:</b>					
E.	THE BUILDING AUTHORITY BOND PAYMENT IS A BOND PAYMENT PAYMENT THAT RESIDES IN THE TPM BUDGET, BUT IS FUNDED BY TIF. THE TIF BUDGET REFLECTS MOVEMENT OF FUNDS OUT OF TIF TO TPM. TPM REFLECTS BOTH THE REVENUE RECEIVED FROM TIF AND THE ACTUAL BOND PAYMENT EXPENSE.				

2017 DDA COMBINED BUDGET FOR 2 MILL, TIF, AND TPM						
2 MILL AND TIF - MAY 31, 2017						
TPM - APRIL 30, 2017						
TOTAL DDA						
MONTH TO DATE		YEAR TO DATE		DKI		
DATE		DATE		2017 BUDGET		
<b>MONTH TO DATE/YEAR TO DATE NOTES:</b>						
<b>REVENUES NOTES:</b>						
#1	2 MILL LEVY- 2 MILL LEVY FUNDS RECEIVED. THE MAJORITY OF THE FUNDS WERE FOR PRIOR YEAR TAXES COLLECTED WITH \$.16 COLLECTED FOR THE CURRENT YEAR.					
#2	MISC - THE CURRENT MONTH IS PAYMENT IN LIEU OF TAXES FOR THE SKYRISE. YEAR TO DATE INCLUDES THE RICKMAN HOUSE.					
#3	USEABLE TIF COLLECTIONS- CURRENT MONTH AND YEAR TO DATE ARE THE ACCRUED TIF TAXES FOR 2017.					
#4	BOND REFINANCE SAVINGS - THE CURRENT MONTH AND YEAR TO DATE IS TPM REVENUE FROM THE REFINANCE OF RAMP #3 THAT IS TRANSFERRED TO TIF TO HELP WITH THE PAYMENT OF THE ZOETIS TAX APPEAL.					
#5	TPM UNATTENDED REVENUES - \$4,678 MORE THAN BUDGETED DUE TO A SLIGHT INCREASE IN MONTHLY PARKING IN MOST OF THE FACILITIES.					
#6	TPM ATTENDED FACILITIES - \$9,540 LESS THAN BUDGETED DUE TO AN INVOICE MAILING ERROR. AS OF MAY THIS SITUATION HAS BEEN CORRECTED.					
#7	TPM ENFORCEMENT - \$7,235 LESS THAN BUDGETED. THE PARKING SYSTEM HAS APPROXIMATELY (65) PARKING SPACES OUT OF USE DUE TO CONSTRUCTION WHICH EFFECTS THE ENFORCEMENT NUMBERS.					
#8	TIF DEBT SERVICE ASSISTANCE - TIF FUNDS THAT ARE TRANSFERRED TO TPM TO COVER THE BUILDING AUTHORITY BOND PAYMENT.					
<b>EXPENDITURE NOTES:</b>						
#9	LEGAL SERVICES - THE 2 MILL PORTION IS \$740 REGARDING THE SALE OF THE CREEK PROPERTIES, THE TIF PORTION IS \$1,850 REGARDING THE EXCHANGE TIF AGREEMENT, AND THE TPM PORTION IS \$2,221 REGARDING THE SALE OF RAMP #4.					
#10	SALARIES & WAGES, PAYROLL TAXES, & WORKERS COMPENSATION - \$24,706 LESS THAN BUDGETED. THE DIFFERENCE IS DUE TO LESS STAFFING FOR EVENTS AND SICK TIME USEAGE IS DOWN. TPM IS ALSO TRANSITIONING TO ITS NEW STAFFING STRUCTURE WITH THE UPGRADED EQUIPMENT AND SOME EXISTING STAFF ARE LEAVING WITH NEW HIRES TAKING PLACE.					
#11	BUSINESS RECRUITMENT & RETENTION - FUNDS GOING TO DKI TO COVER BUSINESS RECRUITMENT & RETENTION ACTIVITIES.					
#12	BUILDING AUTHORITY BONDS - THE APRIL BOND PAYMENT FOR THE BUILDING AUTHORITY BONDS.					
#13	ZOETIS TAX APPEAL - THE ANNUAL TAX APPEAL PAYMENT.					
#14	REBATED TAXES - MONTH TO DATE IS FOR THE RAMP #3 LLC TAX REBATE. YEAR TO DATE INCLUDES THE PLAZA CORP/ROSE STREET MARKET TAX REBATE.					
#15	RAMP #3 DEBT SERVICE - THE RAMP #3 APRIL BOND PAYMENT.					
#16	5 YEAR TPM DEBT SERVICE - THE APRIL BOND PAYMENT FOR THE TPM PARCS UPGRADE.					

**Downtown Development Authority  
of the City of Kalamazoo, Michigan**  
(A Component Unit of the City of Kalamazoo)

Financial Statements  
Year Ended December 31, 2016

DRAFT

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**  
(A Component Unit of the City of Kalamazoo)

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Financial Statements  
Year Ended December 31, 2016

DRAFT

# Downtown Development Authority of the City of Kalamazoo, Michigan

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## Independent Auditor's Report

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Downtown Development Authority of the City of Kalamazoo, Michigan (the DDA), a component unit of the City of Kalamazoo, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the DDA'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 of 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the 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 the General Fund of the DDA, as of December 31, 2016, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Emphasis of Matter*

As discussed in Note 1, the financial statements present only the DDA, and do not purport to, and do not, present fairly the financial position of the City of Kalamazoo, as of December 31, 2016, the changes in its financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## *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 5 through 9 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 *Governmental Auditing Standards*, we have also issued our report dated **Report Date**, 2017 on our consideration of the DDA'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the DDA's internal control over financial reporting and compliance.

Kalamazoo, Michigan

**Report Date**, 2017

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Management's Discussion and Analysis

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This section of the Downtown Development Authority's (the DDA's) annual financial report presents our discussion and analysis of the DDA's financial performance during the year ended December 31, 2016. Please read it in conjunction with the DDA's financial statements, which immediately follow this section.

### *Using this Annual Report*

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader understands the DDA's finances as a whole. The *Government-wide Financial Statements* provide information about the activities of the whole DDA, presenting both an aggregate view of the DDA's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending.

### *Reporting the DDA as a Whole - Government-Wide Financial Statements*

One of the most important questions asked about the DDA is, "As a whole, what is the DDA's financial condition as a result of the year's activities?" The Statement of Net Position (Deficit) and the Statement of Activities, which appear first in the DDA's financial statements, report information on the DDA as a whole and its activities in a way that helps answer this question. These statements are prepared to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the DDA's net position - the difference between assets and liabilities, as reported in the Statement of Net Position (Deficit) - as one way to measure the DDA's financial health or financial position. Over time, increases or decreases in the DDA's net position - as reported in the Statement of Activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the DDA's operating results. However, the DDA's goal is to stimulate public and private investment in downtown Kalamazoo, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the economic growth and the physical development in the downtown area to assess the overall health of the DDA.

The Statement of Net Position (Deficit) and the Statement of Activities report the governmental activities for the DDA, which encompass all of the DDA's services, including general government, parking (public works), and community development (health and welfare). Property taxes and parking revenue finance most of these activities.

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Management's Discussion and Analysis

### *Reporting the DDA's Fund Financial Statements*

The DDA's fund financial statements provide detailed information about the operating fund - not the DDA as a whole. The DDA, similar to other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The governmental fund of the DDA uses the following accounting approach -

Governmental fund - All of the DDA's services are reported in the governmental fund. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances remaining at year-end that are available for spending. They are reported using the accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the DDA and the services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that may be spent in the near future to finance the DDA's operations. The differences are described between governmental activities reported in the Statement of Net Position and the Statement of Activities and governmental funds in a reconciliation.

### *The DDA as a Whole - Government-Wide Financial Statements*

Recall that the Statement of Net Position (Deficit) provides the perspective of the DDA as a whole. The following provides a summary of the DDA's net position (deficit):

<i>December 31,</i>	<i>Governmental Activities</i>	
	2016	2015
<b>Assets:</b>		
Current and other assets	\$ 2,381,413	\$ 1,999,851
Capital assets, net of accumulated depreciation	501,396	552,232
<b>Total Assets</b>	<b>\$ 2,882,809</b>	<b>\$ 2,552,083</b>
<b>Liabilities:</b>		
Current liabilities	\$ 869,610	\$ 943,981
Long-term liabilities	1,126,616	1,693,020
<b>Total Liabilities</b>	<b>1,996,226</b>	<b>2,637,001</b>
<b>Net Position (Deficit):</b>		
Net investment in capital assets	501,396	552,232
Unrestricted	385,187	(637,150)
<b>Total Net Position (Deficit)</b>	<b>886,583</b>	<b>(84,918)</b>
<b>Total Liabilities and Net Position (Deficit)</b>	<b>\$ 2,882,809</b>	<b>\$ 2,552,083</b>

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Management's Discussion and Analysis

The preceding analysis focuses on the net position (deficit). The change in net position (deficit) of the DDA's governmental activities is discussed below. The DDA's unrestricted net position was \$385,187 at December 31, 2016. The net investment in capital assets totaling \$501,396 compares the original cost, less depreciation of the DDA's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from TIF taxes collected as the debt service becomes due.

The \$886,583 net position of governmental activities represents the *accumulated* results of all past years' operations. The net position balance is a result of consistent availability of TIF revenue.

The results of this year's operations for the DDA as a whole are reported in the following Statement of Activities, which shows the changes in net position (deficit) for 2016 and 2015:

<i>Year ended December 31,</i>	<i>Governmental Activities</i>	
	2016	2015
<b>Revenue:</b>		
Program revenue -		
Charges for services	\$ 2,950,606	\$ 2,814,658
General revenue:		
Property taxes	1,783,391	1,924,888
Interest income	861	1,085
Other	90,476	92,570
<b>Total Revenue</b>	<b>4,825,334</b>	<b>4,833,201</b>
<b>Functions/Program Expenses:</b>		
General government	239,914	244,325
Public works	3,012,362	2,996,428
Health and welfare	554,921	562,072
Interest on long-term debt	46,636	60,175
<b>Total Expenses</b>	<b>3,853,833</b>	<b>3,863,000</b>
<b>Change in Net Position</b>	<b>971,501</b>	<b>970,201</b>
<b>Net Position (Deficit), beginning of year</b>	<b>(84,918)</b>	<b>(1,055,119)</b>
<b>Net Position (Deficit), end of year</b>	<b>\$ 886,583</b>	<b>\$ (84,918)</b>

As reported in the Statement of Activities, the cost of all of the DDA's activities this year was \$3,853,833. Certain activities were partially funded from those who benefited from the operations through charges for services of \$2,950,606. The remaining "public benefit" portion of the DDA's activities were paid with \$1,783,391 in taxes and with other revenues such as transfers and interest.

The DDA experienced an increase in net position (deficit) of \$971,501 in 2016, which is consistent with the increase in net position (deficit) in 2015. This was due to minimal fluctuation in total revenues and expenses year over year.

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Management's Discussion and Analysis

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As discussed above, the net cost shows the financial burden placed on the DDA and the DDA's taxpayers by each of these functions. Since property taxes for operations and parking revenue constitute the vast majority of the DDA's operating revenue sources, the board and management must annually evaluate the needs of the DDA and balance those needs with ongoing obligations to citizens and creditors.

### *The DDA's Governmental Fund*

As noted earlier, the DDA uses the General Fund to help control and manage money for particular purposes. Looking at the General Fund helps the reader consider whether the DDA is being accountable for the resources taxpayers and others provide to it and may provide more insight into the DDA's overall financial health.

As the DDA completed this year, the General Fund reported a fund balance of \$2,133,923 which is an increase of \$443,648 from last year. The increase is discussed below under General Fund Budgetary Highlights.

### *General Fund Budgetary Highlights*

A schedule showing the DDA's original and final budget amounts compared to amounts actually paid and received is provided in the basic financial statements.

Actual revenue came in over budgeted revenue by \$76,176 mainly due to an increase in tax revenue.

The actual amounts reported for total expenditures were \$231,210 under the final budget. This variance was mainly due to health and welfare expenditures coming in under budget to be carried over to next year.

### *Capital Assets and Debt Administration*

#### *Capital Assets*

As of December 31, 2016, the DDA had \$501,396 invested in capital assets, including land, leasehold improvements, general and administrative equipment, equipment, and equipment under capital leases. This amount represents a decrease of \$50,836 or 9% from last year due to depreciation exceeding capital additions.

<i>December 31,</i>	<b>2016</b>	<b>2015</b>
Land	\$ 58,162	\$ 58,162
Leasehold improvements	684,881	684,881
General and administrative equipment	210,724	210,724
Equipment	626,921	620,580
Equipment under capital leases	157,621	157,621
	<b>1,738,309</b>	<b>1,731,968</b>
Less accumulated depreciation	<b>(1,236,913)</b>	<b>(1,179,736)</b>
<b>Net Capital Assets</b>	<b>\$ 501,396</b>	<b>\$ 552,232</b>

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Management's Discussion and Analysis

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Additional information that is more detailed about the DDA's capital assets is presented in the notes to the financial statements in Note 4, Page 23.

### *Rebated Tax Liability*

At the end of this year, the DDA had \$663,902 in rebated tax outstanding compared to \$774,189 in the previous year, a decrease of 14% due to payments made on the outstanding rebated tax liability during 2016.

<i>December 31,</i>	2016	2015
Rebated tax liabilities	\$ 663,902	\$ 774,189

Additional information that is more detailed about the DDA's rebated tax liability is presented in the notes to the financial statements in Note 5, Page 24.

### *Debt*

At the end of this year, the DDA had \$1,029,689 in long-term obligations outstanding compared to \$1,501,377 in the previous year, a decrease of 31% due to principal payments made in 2016 on long-term obligations. The long-term obligations consisted of the following:

<i>December 31,</i>	2016	2015
Bonds and notes payable	\$ 1,029,689	\$ 1,501,377

Tax supported debt continues to remain relatively stable as a percentage of the State Equalized Valuation (SEV) property of the DDA at 1% and is well under the 10% of SEV legal debt limitations for Michigan municipalities.

Additional information that is more detailed about the DDA's long-term obligations is presented in the notes to the financial statements in Note 6, Page 25.

### *Economic Factors and Next Year's Budgets and Rates*

The DDA's Board of Directors and management consider many factors when setting the DDA's 2017 budget. One of the most important factors affecting the budget is insuring sufficient funds are available for debt service payments. The 2017 budget was adopted in February, 2017, based on projected revenues. Approximately 99% of total General Fund revenue is from user fees, TIF taxes, and the levy.

### *Contacting the DDA's Financial Management*

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the DDA's finances and to demonstrate the DDA's accountability for the funds received. If you have questions about this report or need additional information, contact:

Downtown Development Authority of the City of Kalamazoo  
141 East Michigan Avenue, Suite 501  
Kalamazoo, Michigan 49007

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Government Wide Financial Statements  
Statement of Net Position**

<i>December 31, 2016</i>	<i>Governmental Activities</i>
<b>Assets:</b>	
Cash	\$ 35,808
Restricted cash and investments	1,701,589
Receivables:	
Taxes	550,094
Parking system	92,922
Prepaid expenses	1,000
Capital assets, net of accumulated depreciation	501,396
<hr/>	
<b>Total Assets</b>	<b>\$ 2,882,809</b>
<hr/>	
<b>Liabilities:</b>	
Accounts payable - trade	\$ 237,196
Accrued interest	55,145
Unearned revenue	10,294
Noncurrent rebated tax liabilities:	
Due within one year	110,287
Due in more than one year	553,615
Noncurrent bond and note liabilities:	
Due within one year	456,688
Due in more than one year	573,001
<hr/>	
<b>Total Liabilities</b>	<b>1,996,226</b>
<hr/>	
<b>Net Position:</b>	
Net investment in capital assets	501,396
Unrestricted	385,187
<hr/>	
<b>Total Net Position</b>	<b>886,583</b>
<hr/>	
<b>Total Liabilities and Net Position</b>	<b>\$ 2,882,809</b>
<hr/>	

*See accompanying independent auditor's report and  
notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Government Wide Financial Statements  
Statement of Activities**

<i>Year ended December 31, 2016</i>	<i>Expenses</i>	<i>Program Revenues</i>	<i>Charges for Services</i>	<i>Governmental Activities</i>
				<i>Net Revenue (Expenses) and Change in Net Deficit</i>
<b>Functions/Programs:</b>				
Governmental activities:				
General government	\$ 239,914	\$ -		\$ (239,914)
Public works	3,012,362	2,950,606		(61,756)
Health and welfare	554,921	-		(554,921)
Interest on long-term debt	46,636	-		(46,636)
<b>Total Governmental Activities</b>	<b>\$ 3,853,833</b>	<b>\$ 2,950,606</b>		<b>\$ (903,227)</b>
<b>General Revenues:</b>				
Property taxes				1,783,391
Interest income				861
Other				90,476
<b>Total General Revenues</b>				<b>1,874,728</b>
<b>Change in Net Position</b>				<b>971,501</b>
<b>Net Position (Deficit), beginning of year</b>				<b>(84,918)</b>
<b>Net Position, end of year</b>				<b>\$ 886,583</b>

*See accompanying independent auditor's report and notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Governmental Fund  
Balance Sheet**

<i>December 31, 2016</i>	<i>General Fund</i>
<b>Assets:</b>	
Cash	\$ 35,808
Restricted cash and investments	1,701,589
Receivables:	
Taxes	550,094
Parking system	92,922
Prepaid expenses	1,000
<b>Total Assets</b>	<b>\$ 2,381,413</b>
<b>Liabilities and Fund Balance</b>	
<b>Liabilities:</b>	
Accounts payable - trade	\$ 237,196
Unearned revenue	10,294
<b>Total Liabilities</b>	<b>247,490</b>
<b>Fund Balance:</b>	
Committed for -	
Ramp 3 maintenance	344,787
Assigned for:	
Projected budgetary deficits	776,858
Parking system	132,674
Unassigned	879,604
<b>Total Fund Balance</b>	<b>2,133,923</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 2,381,413</b>

*See accompanying independent auditor's report and  
notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Governmental Fund  
Reconciliation of Fund Balance of Governmental Fund to the Net Position of  
Governmental Activities on the Statement of Net Position**

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*December 31, 2016*

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Total fund balance - governmental fund (from Page 12) \$ 2,133,923

Amounts reported for governmental activities in the  
Statement of Net Position (Deficit) are different because:

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the fund. These  
assets consist of:

Capital assets, at cost	1,738,309
Accumulated depreciation	<u>(1,236,913)</u>

Net capital assets 501,396

Long-term liabilities, including bonds payable, are not due  
and payable in the current period and therefore are not  
reported in the fund. Balances are as follows:

Bonds payable	(855,000)
Notes payable	<u>(174,689)</u>

Total long-term liabilities (1,029,689)

Rebated tax liabilities (663,902)

Accrued interest payable on long-term debt (55,145)

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**Net Position of Governmental Activities \$ 886,583**

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*See accompanying independent auditor's report and  
notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Governmental Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance**

<i>Year ended December 31, 2016</i>	<i>General Fund</i>
<b>Revenues:</b>	
Charges for services - parking system	\$ 2,950,606
Taxes:	
TIF revenue	1,521,195
Two-mill levy	262,196
Interest	861
Other	90,476
<hr/>	
<b>Total Revenues</b>	<b>4,825,334</b>
<hr/>	
<b>Expenditures:</b>	
Current:	
General government	239,914
Public works	2,961,526
Health and welfare	665,208
Debt service:	
Principal	471,688
Interest and other charges	43,350
<hr/>	
<b>Total Expenditures</b>	<b>4,381,686</b>
<hr/>	
<b>Increase in Fund Balance</b>	<b>443,648</b>
<b>Fund Balance, beginning of year</b>	<b>1,690,275</b>
<hr/>	
<b>Fund Balance, end of year</b>	<b>\$ 2,133,923</b>

*See accompanying independent auditor's report and  
notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Governmental Fund  
Reconciliation of Statement of Revenues, Expenditures, and  
Changes in Fund Balance of the Governmental Fund to Statement of Activities**

*Year ended December 31, 2016*

Net change in fund balance - governmental fund (from Page 14)	\$	443,648
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>		
<p style="padding-left: 20px;">Governmental funds report capital outlays as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation expense:</p>		
Capital outlay		18,311
Depreciation expense		(69,147)
<p style="padding-left: 20px;">Repayment of bond and note principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position -</p>		
Repayments		471,688
<p style="padding-left: 20px;">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 governmental fund:</p>		
Rebated tax liability		110,287
Accrued interest		(3,286)
Change in Net Deficit of Governmental Activities	\$	971,501

*See accompanying independent auditor's report and notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual - General Fund**

<i>Year ended December 31, 2016</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
<b>Revenues:</b>				
Charges for services - parking system	\$ 3,038,861	\$ 3,007,496	\$ 2,950,606	\$ (56,890)
Taxes:				
TIF revenue	1,381,889	1,381,889	1,521,195	139,306
Two-mill levy	269,181	269,181	262,197	(6,984)
Interest	555	605	861	256
Other	96,488	89,988	90,475	487
<b>Total Revenues</b>	<b>4,786,974</b>	<b>4,749,159</b>	<b>4,825,334</b>	<b>76,175</b>
<b>Expenditures:</b>				
<i>General government -</i>				
Contractual and other services	241,600	240,500	239,347	1,153
Rebated taxes	20,000	20,000	567	19,433
<i>Total general government</i>	<i>261,600</i>	<i>260,500</i>	<i>239,914</i>	<i>20,586</i>
<i>Public works:</i>				
Lease expense	907,554	907,954	895,723	12,231
Contractual and other services	912,673	951,182	947,428	3,754
Salaries	829,228	795,982	793,612	2,370
Supplies	70,842	70,842	65,350	5,492
Fringe benefits	109,590	122,740	121,530	1,210
Payroll taxes	148,262	140,004	137,883	2,121
<i>Total public works</i>	<i>2,978,149</i>	<i>2,988,704</i>	<i>2,961,526</i>	<i>27,178</i>
<i>Health and welfare:</i>				
Contractual and other services	62,600	65,300	62,130	3,170
Downtown maintenance/improvements	345,000	340,000	219,770	120,230
Marketing	50,000	50,000	50,000	-
Building revitalization	10,000	15,000	5,648	9,352
Metropolitan Center	48,900	48,900	-	48,900
Rebated taxes	68,679	123,921	122,727	1,194
Other obligations	204,933	204,933	204,933	-
<i>Total health and welfare</i>	<i>790,112</i>	<i>848,054</i>	<i>665,208</i>	<i>182,846</i>

*See accompanying independent auditor's report and  
notes to financial statements.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Statement of Revenues, Expenditures, and  
Changes in Fund Balance - Budget and Actual - General Fund**

<i>Year ended December 31, 2016</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Final Budget Positive (Negative)</i>
<b>Expenditures (Concluded):</b>				
<i>Debt service:</i>				
Principal payments	\$ 467,326	\$ 471,688	\$ 471,688	\$ -
Interest and other charges	43,950	43,950	43,350	600
<i>Total debt service</i>	511,276	515,638	515,038	600
<b>Total Expenditures</b>	4,541,137	4,612,896	4,381,686	231,210
<b>Increase in Fund Balance</b>	245,837	136,263	443,648	307,385
<b>Fund Balance, beginning of year</b>	829,474	1,002,073	1,690,275	688,202
<b>Fund Balance, end of year</b>	\$ 1,075,311	\$ 1,138,336	\$ 2,133,923	\$ 995,587

*See accompanying independent auditor's report and  
notes to financial statements.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

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### 1. Nature of Business and Summary of Accounting Policies

The City of Kalamazoo (the City) established the Downtown Development Authority (the DDA) on March 1, 1982. Its purpose is to stimulate public and private investment in downtown Kalamazoo and act as the catalyst for joint public and private action to bring about economic growth and physical development in the downtown area. The governing body of the DDA is a board of directors consisting of the chief executive officer of the City and ten other members.

#### *Summary of Significant Accounting Policies*

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

#### *Reporting Entity*

The DDA is an independent entity with an appointed board of directors. The board consists of the chief executive officer of the City and ten other members who are appointed to four-year terms. The board has responsibility and control over all matters affecting the DDA, including authority to determine its budget, the power to designate management and primary accountability for fiscal matters. The financial statements of the DDA contain all activity for which the DDA is financially accountable. The DDA is a discretely presented component unit of the City as the City is financially accountable for the DDA. The City is considered financially accountable for a component unit if it appoints a voting majority of the DDA's governing body and it is able to impose its will on the DDA by significantly influencing the programs, projects, activities, or level of services performed or provided by the DDA, or there is a potential for the DDA to provide specific financial benefits to, or impose specific financial burdens on, the City. Blended component units, although legally separate entities are, in substance, part of the City's operations, and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the Government-wide statements to emphasize that they are legally separate from the primary government.

#### *Basis of Presentation*

##### *Government-wide Financial Statements*

The Statement of Net Position (Deficit) and the Statement of Activities report information on all of the activities of the DDA. The Government-wide financial statements categorize activities as either governmental or business-type. All of the DDA's activities are classified as governmental.

*See accompanying independent auditor's report.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

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The Statement of Activities demonstrates the degree to which the direct expenses related to a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to recipients who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported as general revenues.

### *Fund Financial Statements*

The fund financial statements provide information about the DDA's governmental fund.

The governmental fund is used to account for the DDA's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the governmental fund of the DDA - *General Fund* - The General Fund is the general operating fund of the DDA. It is used to account for all financial resources. Funding is provided through charges for services from the Parking System and property tax revenues.

### *Measurement Focus and Basis of Accounting*

#### *Government-Wide Financial Statements*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### *Fund Financial Statements*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available if they are collected within the current period or soon enough after to pay liabilities for the current period. The DDA considers revenues available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

*See accompanying independent auditor's report.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

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### *Budgets and Budgetary Accounting*

Formal budgetary accounting is employed as a management control by the DDA. Annual operating budgets are adopted each fiscal year through passage of a board resolution. The DDA follows these procedures in establishing the two mill and TIF budgets:

A budget is prepared by the staff and submitted to the DDA Board.

1. The DDA Board, at a public hearing, approves the submission of the budget to the City Commission of the City.
2. The City Commission approves the budget.
3. The DDA Board formally adopts the budget through a board resolution.

The budgets must be approved by January 1 if the DDA has not adopted an interim appropriation resolution authorizing the DDA to continue normal operations until the budget is approved by the City Commission and are prepared on a basis consistent with accounting principles generally accepted in the United States of America.

### *Assets, Liabilities, and Net Position (Deficit)*

Cash and Investments - Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less. Investments are stated at fair value.

Capital Assets - Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. Assets having a useful life in excess of one year and whose costs typically exceed \$500 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are recorded at their fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed.

Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 - 15 Years
Equipment	3 - 10 Years

The DDA evaluates its capital assets for impairment in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Properties to be disposed of would be recognized at the lower of carrying value or fair value less the estimated cost of disposal. Properties held and in use are reviewed for impairment whenever indicators of impairment exist. All recognized impairment losses, whether for properties to be disposed of or properties to be held and used, are recorded as operating expenses. No impairments have been identified as of December 31, 2016.

*See accompanying independent auditor's report.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

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Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Net Position (Deficit) - Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws, or regulations from other governments.

Fund Balance - Fund balance represents the difference between assets and liabilities in the governmental fund financial statements.

The DDA's fund balance is classified in the following categories:

*Nonspendable fund balance* - represents amounts that cannot be spent due to legal requirements or because it is not in spendable form.

*Restricted fund balance* - restricted for specific purposes imposed by grantors, bondholders, constitutional provisions, or enabling legislation.

*Committed fund balance* - amounts to be used for specific purposes imposed by the Board of Directors by formal action.

*Assigned fund balance* - intended to be used for specific purposes imposed by the Board of Directors or management.

*Unassigned fund balance* - the residual fund balance of the General Fund.

The DDA's spending policy considers restricted fund balances to be spent first when both restricted and unrestricted fund balances are available. When expenditures are recorded using unrestricted fund balances, assigned amounts are spent first, then unassigned amounts.

### **Property Taxes**

Property taxes are levied on July 1 and attach as an enforceable lien on property as of January 1. The City acts as the collecting agent for the DDA. The DDA can levy taxes up to \$2.00 per \$1,000 of assessed value of property in the downtown DDA, which is the maximum permitted under P.A. 197. Taxpayers may elect to pay their tax bills in six equal monthly installments beginning on July 1 and on the first day of the next five months. The result of installment payments is to delay one-half of taxes payable under the installment system beyond the fiscal year-end.

*See accompanying independent auditor's report.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

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### *Use of Estimates*

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

### *Subsequent Events*

Management has evaluated the period from January 1, 2017, through **Report Date**, 2017, the date the financial statements were available for issuance, for subsequent events requiring recognition or disclosure in the financial statements. During the period, no material recognizable subsequent events were identified.

## 2. Stewardship, Compliance, and Accountability

### *Budgetary Information*

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund. All annual appropriations lapse at year-end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the DDA to have its budget in place January 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year.

During the year ended December 31, 2016, the DDA did not incur expenditures in the General Fund which were in excess of the amounts budgeted.

## 3. Deposits and Investments

### *Deposits*

State statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also insured by an agency of the United States. The DDA's investment policy complies with the state of Michigan statutes and has no additional limitations on deposits.

### *Custodial Credit Risk - Deposits*

Custodial credit risk is the risk that, in the event of bank failure, the DDA's deposits might not be recovered. The DDA does not have a policy to mitigate this risk. At December 31, 2016, of the DDA's bank balances of \$1,892,168 the following were exposed to custodial credit:

#### Uninsured and Uncollateralized:

Cash and savings	\$ 744,327
Money market	861,959
<hr/>	
<b>Total Uninsured and Uncollateralized</b>	<b>\$ 1,606,286</b>

*See accompanying independent auditor's report.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Notes to Financial Statements**

**4. Capital Assets**

Capital asset activity for the year ended December 31, 2016, was as follows:

	<i>Balance December 31, 2015</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance December 31, 2016</i>
<b>Governmental Activities:</b>				
Capital assets not depreciated -				
Land	\$ 58,162	\$ -	\$ -	\$ 58,162
Capital assets depreciated:				
Leasehold improvements	684,881	-	-	684,881
General and administrative equipment	210,724	-	-	210,724
Equipment	620,580	18,311	(11,970)	626,921
Equipment under capital leases	157,621	-	-	157,621
<b>Totals at Historical Cost</b>	<b>1,731,968</b>	<b>18,311</b>	<b>(11,970)</b>	<b>1,738,309</b>
Less accumulated depreciation:				
Leasehold improvements	(291,141)	(41,277)	-	(332,418)
General and administrative equipment	(210,724)	-	-	(210,724)
Equipment	(520,250)	(27,870)	11,970	(536,150)
Equipment under capital leases	(157,621)	-	-	(157,621)
<b>Total accumulated depreciation</b>	<b>(1,179,736)</b>	<b>(69,147)</b>	<b>11,970</b>	<b>(1,236,913)</b>
<b>Net Capital Assets</b>	<b>\$ 552,232</b>	<b>\$ (50,836)</b>	<b>\$ -</b>	<b>\$ 501,396</b>

Depreciation expense was charged to governmental functions as follows -

Public works	\$ 69,147
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*See accompanying independent auditor's report.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Notes to Financial Statements**

**5. Rebated Tax Liabilities**

Changes in rebated tax liabilities at December 31, 2016, was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<b>Governmental Activities -</b>					
Rebated tax liabilities	\$ 774,189	\$ -	\$ (110,287)	\$ 663,902	\$ 110,287

Rebated tax liabilities at December 31, 2016, is comprised of the following:

	<i>Final Maturity Dates</i>	<i>Interest Rates</i>	<i>Outstanding Balance</i>
<b>Governmental Activities:</b>			
Rebated tax liability - Zoetis	7/1/2019	3.00%	\$ 131,038
Rebated tax liability - Radisson	7/2/2024	2.59%	532,864
<b>Total Rebated Tax Liabilities</b>			<b>\$ 663,902</b>

**Repayment Schedule**

The annual principal and interest payments on the rebated tax liabilities are as follows:

<i>Year ending December 31,</i>	<i>Governmental Activities</i>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	
2017	\$ 110,287	\$ 13,783	\$ 124,070
2018	110,287	12,473	122,760
2019	110,287	11,162	121,449
2020	66,608	9,852	76,460
2021	66,608	9,852	76,460
2022-2024	199,825	29,556	229,381
	<b>\$ 663,902</b>	<b>\$ 86,678</b>	<b>\$ 750,580</b>

*See accompanying independent auditor's report.*

**Downtown Development Authority of the  
City of Kalamazoo, Michigan**

**Notes to Financial Statements**

**6. Long-Term Obligations**

Changes in long-term obligations at December 31, 2016, were as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending Balance</i>	<i>Due Within One Year</i>
<b>Governmental Activities -</b>					
Bonds and notes payable -					
General obligation debt	\$1,501,377	\$ -	\$ (471,688)	\$1,029,689	\$ 456,688

Long-term bonds and notes at December 31, 2016, are comprised of the following:

	<i>Final Maturity Dates</i>	<i>Interest Rates</i>	<i>Outstanding Balance</i>
<b>Governmental Activities:</b>			
1997 Refunding Bonds	4/1/2018	5.20-5.35%	\$ 855,000
Catalyst Development Co. 3, L.L.C. Note	12/31/2020	n/a	174,689
<b>Total Governmental Activities</b>			<b>\$ 1,029,689</b>

***Repayment Schedule***

The annual principal and interest payments on the bonds and notes payable are as follows:

<i>Year ending December 31,</i>	<u><i>Governmental Activities</i></u>		<i>Total</i>
	<i>Principal</i>	<i>Interest</i>	
2017	\$ 456,688	\$ 27,000	\$ 483,688
2018	501,688	9,000	510,688
2019	51,688	-	51,688
2020	19,625	-	19,625
	<b>\$ 1,029,689</b>	<b>\$ 36,000</b>	<b>\$ 1,065,689</b>

*See accompanying independent auditor's report.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

### 7. Parking System Lease Obligations

On April 20, 1989, the DDA entered into an operating lease agreement (Sublease) with the City to lease and operate the Kalamazoo Municipal Parking System (Parking System), which was restated by agreement dated December 6, 2002 (Restated Sublease). Terms of the Restated Sublease require the DDA to operate and maintain the Parking System, make annual payments of \$1, and fund the City's annual debt obligations on the Parking System. The term of the lease extends through the life of the outstanding bonds, effectively 2029. However, either party may terminate the lease at any time upon one year's written notice to the other party. The DDA has pledged all TIF revenues (See Note 8) and the net revenues of the Parking System for payment of these obligations.

In 2005, the Kalamazoo Mall Ramp (KMR) was constructed and financed through a bond issue (KMR Bond Issue). The understanding between the DDA, City Building Authority, and the Brownfield Redevelopment Authority (BRA) was to enter into a formal written amendment to the Restated Sublease whereby the debt service on the KMR Bond Issue would be shared between the DDA, the BRA, and Meyer C. Weiner (MCW). The commitment of MCW has been fulfilled. The sharing arrangement between the DDA and the BRA was determined based on the projected TIF capture of both the DDA and BRA. Due to property tax appeals and changing commercial property values, the following debt service schedule is based on projections prorated on the actual original TIF captures.

The payments to the City by the DDA are charged to operations as a lease expense. As of December 31, 2016, the future debt service, inclusive of the BRA's portion, is as follows:

<i>Year</i>	<i>Total Debt Service</i>	<i>KMR Debt Service</i>	<i>DDA Portion of KMR Debt Service (80%)</i>	<i>BRA Portion of KMR Debt Service (20%)</i>
2017	\$ 1,031,000	\$ 778,060	\$ 622,448	\$ 155,612
2018	\$ 787,000	\$ 786,674	\$ 629,339	\$ 157,335
2019	\$ 783,000	\$ 782,505	\$ 626,004	\$ 156,501
2020	\$ 776,000	\$ 775,789	\$ 620,631	\$ 155,158
2021	\$ 782,000	\$ 782,343	\$ 625,874	\$ 156,469
2022-2026	\$ 3,903,000	\$ 3,902,799	\$ 3,122,239	\$ 780,560
2027-2029	\$ 2,346,000	\$ 2,346,338	\$ 1,877,070	\$ 469,268

In conjunction with the Restated Sublease, the DDA entered into an agreement, through its service agreement with Downtown Kalamazoo, Inc. (DKI), with a management company to perform the day-to-day operations of the Parking System. Terms of the agreement require a minimum monthly management fee plus an additional 3% of the sum of the previous 12 months' fees. An agreement was entered into during January, 2014, effective through December 31, 2018. Future minimum payments under the terms of the management agreement are \$180,000 annually, adjusted upward annually, to the lessor of 2.5% or the Consumer Price Index.

*See accompanying independent auditor's report.*

# Downtown Development Authority of the City of Kalamazoo, Michigan

## Notes to Financial Statements

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### 8. Tax Increment Financing (TIF)

The DDA maintains a TIF plan to help fund capital improvements in downtown Kalamazoo. The plan allows the DDA to capture and retain 80% of real property tax revenue on all development projects beyond an initial assessed value as determined at the date of the TIF plan. The remaining share of revenues from increases in real property assessed value will be distributed to all "taxing authorities."

All of the DDA's TIF revenue is pledged as security for payment on the Parking System and the DDA bond obligations as described in Notes 6 and 7.

### 9. Service Agreement and Related Party Transactions

Business activities of the DDA, DKI, and Downtown Tomorrow, Inc. (DTI) are supported by one another. DKI is involved in the economic development, marketing, and activity of services to downtown Kalamazoo, while DTI raises funds through philanthropic contributions and other private sources to assist the DDA and DKI in implementing development plans for downtown Kalamazoo. Although services are provided to one another, each remains a separate entity governed by its own board of directors.

For the year ended December 31, 2016, \$326,000 was paid to DKI under a service agreement which is approved annually by the board of directors. The annual service agreement was renewed for 2017. In addition, approximately \$128,000 was paid to DTI under an agreement in which DDA covers the debt service payments of DTI on the Arcadia Creek Festival Place debt.

### 10. Risk Management and Benefits

The DDA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; and natural disasters. In order to minimize its exposure to these risks, the DDA is insured through the City and a management company.

*See accompanying independent auditor's report.*

# Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Downtown Development Authority of the City of Kalamazoo, Michigan (the DDA), a component unit of the City of Kalamazoo, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the DDA's basic financial statements, and have issued our report thereon dated **Report Date**, 2017.

## *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered DDA'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Entity'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether DDA's financial statements are free of 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kalamazoo, Michigan

Report Date, 2017

DRAFT