

November 20, 2020

To the Board Members
Grand Rapids Brownfield Redevelopment
Authority

We have audited the financial statements of the Grand Rapids Brownfield Redevelopment Authority (the "Authority") as of and for the year ended June 30, 2020 and have issued our report thereon dated November 20, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 31, 2020, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 20, 2020.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 2 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the year ended June 30, 2020.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

There were no significant balances, amounts, or disclosures in the financial statements based on sensitive management estimates.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2020.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Board Members
Grand Rapids Brownfield Redevelopment
Authority

November 20, 2020

This information is intended solely for the use of the Grand Rapids Brownfield Redevelopment Authority and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Joe Kowalski



William Brickey

Grand Rapids Brownfield Redevelopment Authority

(a component unit of the City of Grand Rapids, Michigan)

Financial Report
June 30, 2020

Grand Rapids Brownfield Redevelopment Authority

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Plante & Moran, PLLC
Suite 400
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.774.0702
plantemoran.com

Independent Auditor's Report

To the Members of the Board
Grand Rapids Brownfield Redevelopment Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the governmental fund of the Grand Rapids Brownfield Redevelopment Authority (the "Authority"), a component unit of the City of Grand Rapids, Michigan, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the Grand Rapids Brownfield Redevelopment Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of governmental activities and the governmental fund of the Grand Rapids Brownfield Redevelopment Authority as of June 30, 2020 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Members of the Board
Grand Rapids Brownfield Redevelopment Authority

Other Matter

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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.

Report on Summarized Comparative Information

We have previously audited the Grand Rapids Brownfield Redevelopment Authority's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those basic financial statements in our report dated November 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

November 20, 2020

Grand Rapids Brownfield Redevelopment Authority

Management's Discussion and Analysis

This section of the Grand Rapids Brownfield Redevelopment Authority's (the "Authority") financial report presents a discussion and analysis of the Authority's financial performance for the fiscal year ended June 30, 2020. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with, and is qualified in its entirety by, the financial statements and footnotes.

Purpose of the Authority

The purpose of the Authority is to identify and encourage the rehabilitation and redevelopment of qualified environmentally distressed or functionally obsolete properties within the City of Grand Rapids, Michigan via the capture of property tax increment revenue. Authority administration and operating costs are financed by project application fees and administrative cost allowances attached to tax increment revenue reimbursement agreements approved by the Authority, the Grand Rapids City Commission, and the State of Michigan.

Using the Financial Report

This financial report consists of two financial statements that focus on the financial condition of the Authority and the results of its operations as a whole.

One of the most important questions asked about governmental finances is whether the Authority as a whole is better off or worse off as a result of the year's activities. The keys to understanding this question are the statement of net position and the statement of activities.

The statement of net position includes all of the Authority's assets and liabilities. It is prepared using the accrual basis of accounting, whereby revenue and assets are recognized when services are provided, and expenses and liabilities are recognized when others provide services, regardless of when cash is exchanged. The following is a summary for the years ended June 30, 2020 and 2019:

Condensed Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percent Change</u>
Assets - Current and other assets	\$ 6,482,132	\$ 4,355,752	\$ 2,126,380	48.8
Liabilities				
Current liabilities	1,580,397	978,002	602,395	61.6
Noncurrent liabilities	<u>1,730,227</u>	<u>1,835,332</u>	<u>(105,105)</u>	(5.7)
Total liabilities	<u>3,310,624</u>	<u>2,813,334</u>	<u>497,290</u>	17.7
Net Position	<u>\$ 3,171,508</u>	<u>\$ 1,542,418</u>	<u>\$ 1,629,090</u>	105.6

Current Assets

Equity in Pooled Cash and Investments

The City of Grand Rapids, Michigan maintains an investment pool for most city funds and component units. The Authority's \$6.4 million portion of the investment pool is displayed on the statement of net position as equity in pooled cash and investments. The Authority's cash balance on June 30, 2020 is higher than the balance on June 30, 2019 primarily due to the excess of revenue over expenses in fiscal year 2020.

Receivables

In fiscal year 2020, approximately \$26,000 was accrued interest receivable. On June 30, 2019, approximately \$14,000 was accrued interest receivable.

Grand Rapids Brownfield Redevelopment Authority

Management's Discussion and Analysis (Continued)

Current Liabilities

Accounts Payable

The accounts payable 2020 year-end balance of \$260,254 is for current fiscal year administration and project expenses for which payments were made in the following fiscal year. The \$24,604 balance for fiscal year 2019 accounts payable is due to expenditures accrued in fiscal year 2019 but paid in fiscal year 2020.

Due to Other Governments

This liability accumulates project development reimbursements owed to the State of Michigan and school and local units. The increase between fiscal years 2019 and 2020 is the result of new projects.

As described in Note 6, beginning with the Authority's fiscal year 2016, the State of Michigan began requiring the State's brownfield authorities to remit 50 percent of property tax increment revenue captured from the State Education Tax for brownfield redevelopment projects approved after January 1, 2013. As of June 30, 2020, the Authority accrued \$337,879 for this requirement.

Due to Project Recipients

The approximate \$143,000 increase in due to project recipients at June 30, 2020 is related to new developer projects for which eligible expenditure documentation was approved.

Noncurrent Liabilities

Noncurrent liabilities decreased by approximately \$105,000. The decrease is due to scheduled principal payments on the bonds and a decrease in the compensated absences liability. See Note 4 for detailed information.

Condensed Statement of Activities

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>Percent Change</u>
Revenue				
Property taxes	\$ 9,152,541	\$ 6,656,102	\$ 2,496,439	37.5
Intergovernmental	902,263	512,037	390,226	76.2
Fee income	70,730	121,171	(50,441)	(41.6)
Investment earnings	363,697	166,767	196,930	118.1
Miscellaneous	122,711	122,711	-	-
Total revenue	<u>10,611,942</u>	<u>7,578,788</u>	<u>3,033,154</u>	<u>40.0</u>
Expenses				
Brownfield remediation	7,998,260	5,693,105	2,305,155	40.5
Urban development	919,704	508,134	411,570	81.0
Debt service	64,888	68,188	(3,300)	(4.8)
Total expenses	<u>8,982,852</u>	<u>6,269,427</u>	<u>2,713,425</u>	<u>43.3</u>
Net Change	<u>1,629,090</u>	<u>1,309,361</u>	<u>319,729</u>	<u>24.4</u>
Net Position - Beginning of year	<u>1,542,418</u>	<u>233,057</u>	<u>1,309,361</u>	<u>561.8</u>
Net Position - End of year	<u>\$ 3,171,508</u>	<u>\$ 1,542,418</u>	<u>\$ 1,629,090</u>	<u>105.6</u>

This above statement of activities presents the revenue earned and the expenses incurred during the fiscal years presented.

Grand Rapids Brownfield Redevelopment Authority

Management's Discussion and Analysis (Continued)

Revenue

Property Taxes

The Authority's revenue is generated primarily through the use of property tax increment financing, in which the Authority captures ad valorem property tax, industrial facility tax, neighborhood enterprise zone, and obsolete property rehabilitation tax revenue attributable to increases in the value of real and personal property within each brownfield remediation project. In accordance with remediation and redevelopment plan agreements between the Authority and the project developers, upon satisfactory project completion, submittal of eligible cost documentation, and verification of current status regarding payments of property and income taxes, a share of annual incremental tax revenue is reimbursed to each developer to partially support the qualified remediation and redevelopment expenditures for those projects. The increase in property tax revenue from fiscal year 2019 to 2020 is due to the addition of new redevelopment projects and increases in the assessed values of existing projects.

Intergovernmental

In fiscal year 2020, the Authority received approximately \$637,000 of revenue for a Michigan Environment, Great Lakes, and Energy grant and also received \$265,000 of Local Community Stabilization Authority funding. In fiscal year 2019, the Authority received approximately \$271,000 of revenue for a Michigan Environment, Great Lakes, and Energy grant and also received \$241,000 of reimbursement revenue from the State of Michigan for the Small Taxpayer and Eligible Manufacturing Personal Property exemptions losses, which commenced in 2014, as well as for losses associated with industrial and commercial personal property exemptions, which commenced in 2008.

Other

Other revenue comes from brownfield plan amendment application processing fees, debt service support from the Grand Rapids Downtown Development Authority for the Authority's Series 2012A bonds, and interest earned when authority funds are invested by the city treasurer.

Expenses

Brownfield Remediation

Expenses for brownfield remediation are related to redevelopment agreements between the Authority, project developers, and granting agencies. The agreements specify that a share of property tax increment revenue related to taxable value increases resulting from approved remediation and redevelopment projects shall be reimbursed semiannually, plus interest in some cases, to the developer to partially support the eligible remediation. The portion of property tax increment revenue increases not reimbursed to the developers is used to support the Authority's general administration costs. Brownfield remediation expenses increased by \$2.3 million, or 40.5 percent. This large increase is due to new projects and an increase in taxes collected.

Urban Development

In addition to reimbursements to project developers, the Authority incurs project and administration costs, including staff support, supplies, legal services, insurance, and public notices. Fiscal year 2020 urban development expenses are approximately \$411,000 higher than fiscal year 2019, mainly due to increases in payroll costs and legal fees.

Overall Financial Position

Management believes the Authority is in good condition financially. Current tax increment and other revenue are adequate to cover existing project reimbursement agreements, as well as current debt service and the development of future projects.

Requests for Information

This financial report is designed to provide a general overview of the Grand Rapids Brownfield Redevelopment Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Grand Rapids comptroller's department at 300 Monroe Avenue NW, Grand Rapids, MI 49503.

Grand Rapids Brownfield Redevelopment Authority

Statement of Net Position/Governmental Fund Balance Sheet

June 30, 2020 and 2019

	2020		2019	
	Governmental Fund	Adjustments (Note 3)	Statement of Net Position	Statement of Net Position
Assets				
Equity in pooled cash and investments	\$ 6,449,515	\$ -	\$ 6,449,515	\$ 4,336,091
Receivables:				
Other receivables - Net	6,124	-	6,124	6,075
Accrued interest receivable	26,493	-	26,493	13,586
Total assets	\$ 6,482,132	-	6,482,132	4,355,752
Liabilities				
Accounts payable	\$ 260,254	-	260,254	24,604
Due to other governmental units (Note 6)	511,030	-	511,030	286,805
Accrued liabilities and other:				
Accrued interest payable	-	5,147	5,147	5,422
Due to project recipients (Note 5)	803,966	-	803,966	661,171
Noncurrent liabilities: (Note 4)				
Due within one year	-	132,813	132,813	128,654
Due in more than one year	-	1,597,414	1,597,414	1,706,678
Total liabilities	1,575,250	1,735,374	3,310,624	2,813,334
Equity				
Fund balance - Restricted for authorized projects - Restricted	4,906,882	(4,906,882)	-	-
Total liabilities and fund balance	\$ 6,482,132			
Net position - Restricted for authorized projects		\$ 3,171,508	\$ 3,171,508	\$ 1,542,418

Grand Rapids Brownfield Redevelopment Authority

Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance

Years Ended June 30, 2020 and 2019

	2020		2019	
	Governmental Fund	Adjustments (Note 3)	Statement of Activities	Statement of Activities
Revenue				
Property taxes	\$ 9,152,541	\$ -	\$ 9,152,541	\$ 6,656,102
Intergovernmental - State grants	902,263	-	902,263	512,037
Fee income	70,730	-	70,730	121,171
Investment earnings	363,697	-	363,697	166,767
Other revenue	122,711	-	122,711	122,711
Total revenue	10,611,942	-	10,611,942	7,578,788
Expenditures				
Brownfield remediation	7,998,260	-	7,998,260	5,693,105
Urban development	914,809	4,895	919,704	508,134
Debt service:				
Principal	110,000	(110,000)	-	-
Interest and fiscal charges	65,163	(275)	64,888	68,188
Total expenditures	9,088,232	(105,380)	8,982,852	6,269,427
Net Change in Fund Balance/Net Position	1,523,710	105,380	1,629,090	1,309,361
Fund Balance/Net Position - Beginning of year	3,383,172	(1,840,754)	1,542,418	233,057
Fund Balance/Net Position - End of year	\$ 4,906,882	\$ (1,735,374)	\$ 3,171,508	\$ 1,542,418

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

June 30, 2020

Note 1 - Reporting Entity

The Grand Rapids Brownfield Redevelopment Authority (the "Authority"), a component unit of the City of Grand Rapids, Michigan (the "City"), was created by the City in 1997 under the provisions of State of Michigan Public Act 381 of 1996, as amended, and its development plan was approved by the City Commission on December 22, 1998. The purpose of the Authority is to promote the revitalization of environmentally distressed areas and/or functionally obsolete properties within the boundaries of the City.

On February 23, 2010, the Grand Rapids City Commission (the "Commission") appointed former members of the Authority as members of the board of directors of the Economic Development Corporation (the "EDC") of the City of Grand Rapids, Michigan. Concurrently, the Commission designated the EDC board of directors as the board of directors for the Authority. This action was taken to reduce staff time required to communicate and work with separate boards, which have comparable missions. The action also brought together a larger group of diverse individuals to add value to the economic development projects and programs that the two entities administer. State of Michigan Public Act 381 of 1996, as amended, and State of Michigan Public Act 338 of 1974, as amended, permit the board of directors of the EDC to serve as the board of directors of the Authority upon such designation by the Commission. Both boards remain operationally and financially independent and still hold separate meetings, as required by statute.

The Authority is also guided by Public Act 57 of 2018 that was enacted effective January 1, 2019. Public Act 57 recodifies several tax increment financing (TIF) statutes, including the Authority's enabling statute, while allowing the Authority to continue to capture property tax increment revenue. Public Act 57 establishes reporting requirements and penalties for noncompliance with these reporting requirements. It requires the Authority to hold information meetings twice a year. In addition, Public Act 57 provides for the continuation of a liability or obligation of an authority under a statute that the bill repeals.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Authority:

Basis of Accounting

The governmental fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Authority has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Authority considers amounts collected within 60 days of year end to be available for recognition; however, property tax increment revenue is recognized as revenue in the fiscal year for which it was levied.

For presentation of year-end audited financial data, the Authority uses the economic resources measurement focus and the full accrual basis of accounting to prepare the statement of net position and statement of activities. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 2 - Significant Accounting Policies (Continued)

Budget

The Commission annually approves the Authority's budget after the authority board members review and recommend it. Once the Commission approves the budget, the authority board members adopt the budget. The budget for the Authority is a project budget rather than an annual budget. Therefore, budget to actual information has not been reflected in the financial statements.

Specific Balances and Transactions

Cash and Investments

The City maintains an investment pool for most city funds, including component units, such as the Authority. The Authority's portion of the investment pool is displayed on the balance sheet as equity in pooled cash and investments. The Authority's equity in this pool is deemed to be a cash equivalent for financial reporting purposes because cash may be withdrawn at any time without prior notice or penalty.

The investment policy adopted by the City Commission is governed by the provisions of Michigan Public Act 20 of 1943, as amended. The policy is designed to prioritize the preservation of principal, while also providing an investment return. Details on the investment policy and the categorization of cash and investments are included in the Comprehensive Annual Financial Report of the City of Grand Rapids, Michigan to give an indication of the level of risk assumed by the City at year end. It is not feasible to allocate the level of risk to the various component units of the City because of the mingling of assets in the pool. Interest income and investment losses from the cash and investment pooling are distributed by the city treasurer to the appropriate funds based on the fund's weighted-average share of the investment pool.

Deposits are less than 10 percent of the total portfolio. They consist of bank money market funds, demand deposit accounts, and certificates of deposit with original maturities greater than three months at the date of purchase. Michigan statutes require that deposits be maintained in financial institutions with offices located in Michigan. Most deposits are uninsured and uncollateralized.

Investments are a diversified mixture of U.S. government agency and U.S. Treasury securities, money market mutual funds that maintain a \$1 value per share, obligations of the State of Michigan or its subdivisions with a rating of A or higher, and commercial paper rated by at least two rating organizations at their highest rating. All investments are reported at fair value.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as other financing sources and bond discounts as other financing uses. The funds are generally used to liquidate governmental long-term debt.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through legislation or other external restrictions. When net position has a negative balance, it is described as unrestricted, in accordance with GAAP.

Property Tax Revenue

A majority of the Authority's revenue is generated through property tax increment financing. Summer taxes are levied on July 1 and attach as an enforceable lien at that time. Summer taxes are due without penalty on or before July 31. Winter taxes are levied on December 1 and attach as an enforceable lien at that time. Winter taxes are due without penalty on or before February 14.

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

June 30, 2020

Note 2 - Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave)

The Authority follows the City's policy, which is to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Authority will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide statements. A liability for these amounts is reported in the governmental fund only for employee terminations as of year end. Generally, the funds that report each employee's compensation are used to liquidate the obligations.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Comparative Data

The columns labeled "statement of net position" and "statement of activities" for 2019 are presented for informational purposes only. These statements do not include the governmental fund balance sheet and the statement of revenue, expenditures, and changes in fund balance for 2019, which are necessary for a complete presentation in accordance with accounting principles generally accepted in the United States of America (GAAP).

Note 3 - Reconciliation of Fund Column of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the governmental fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Fund	\$ 4,906,882
Amounts reported in the statement of net position are different because:	
Bonds payable obligations are not due and payable in the current period and are not reported in the fund	(1,695,000)
Accrued interest is not due and payable in the current period and is not reported in the fund	(5,147)
Compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(35,227)
Net Position of Governmental Activities	<u><u>\$ 3,171,508</u></u>

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

June 30, 2020

Note 3 - Reconciliation of Fund Column of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the governmental fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Fund	\$ 1,523,710
Amounts reported for the statement of activities are different because:	
Repayment of bond principal is an expenditure in the governmental fund but not in the statement of activities (where it reduces long-term debt)	110,000
Interest expense is recognized in the statement of activities as it accrues	275
Compensated absences do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	<u>(4,895)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,629,090</u>

Note 4 - Long-term Debt

Changes in long-term liabilities are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable -					
Other debt - Bond payable	\$ 1,805,000	\$ -	\$ (110,000)	\$ 1,695,000	\$ 115,000
Compensated absences	30,332	25,644	(20,749)	35,227	17,813
Total long-term debt	<u>\$ 1,835,332</u>	<u>\$ 25,644</u>	<u>\$ (130,749)</u>	<u>\$ 1,730,227</u>	<u>\$ 132,813</u>

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2021	\$ 115,000	\$ 61,763	\$ 176,763
2022	120,000	58,312	178,312
2023	125,000	53,513	178,513
2024	130,000	48,512	178,512
2025	135,000	43,963	178,963
2026-2030	735,000	145,931	880,931
2031-2032	335,000	18,938	353,938
Total	<u>\$ 1,695,000</u>	<u>\$ 430,932</u>	<u>\$ 2,125,932</u>

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

June 30, 2020

Note 5 - Due to Project Recipients

Project Name	Initial Year	FY 2020 Project-related Tax Increment Revenue and Exemption Loss Reimbursement from the State*	FY 2020 Total Project Tax Increment Reimbursement	FY 2020 Tax Increment Reimbursement Paid to Developer
Johnston Coca Cola Bottling Group	2000	\$ 424,885	\$ -	\$ -
Benteler Automotive Corp.	2003	23,074	19,143	18,211
Custer Office Environments et al.	2003	39,536	-	-
Mercantile Bank Real Estate Co LLC	2003	95,234	32,378	-
1234 Michigan LLC (Rylee's Ace)	2004	38,504	13,948	13,948
Michigan Street Development LLC	2004	395,032	378,619	376,197
Mid Towne Village LLC #1	2004	672,773	287,116	287,116
Fairmont Square Investors LLC	2005	126,978	118,305	118,305
Icon on Bond II LLC	2005	118,657	118,657	118,657
33 Library LLC/Fitzgerald Investors	2005	183,092	-	-
Parkland Investments/Union Square	2005	402,261	-	-
Ashley Grand Rapids LLC	2007	283,560	295,307	292,909
Bicycle Factory LLC	2007	25,706	-	-
Founders RE, LLC and Blue Tiger, LLC	2007	139,926	131,981	131,981
Front Street Properties LLC	2007	72,334	-	-
Third Coast Development Partners 1697 LLC	2007	35,241	-	-
BSG Group LLC	2008	24,427	23,040	23,040
Infinity Companies LLC	2008	18,249	-	-
1 to 3.Org LLC	2009	2,519	2,376	2,376
Meijer Inc. - 28th St/Kalamazoo Ave	2009	63,345	51,384	51,384
925 Cherry LLC/Double Barrel Partners	2010	10,032	9,462	9,396
H Development	2010	24,634	7,863	7,863
GR Urban Market Holdings LLC	2010	174,498	68,364	68,214
4 Big LLC (3R Foods LLC)	2010	12,904	12,172	12,172
Acme Investors LLC (ICCF)	2011	129,299	121,735	-
Fulton Property Holding LLC	2011	23,963	-	-
GR School Lofts, LLC/45 Lexington NW	2012	(43,946)	-	-
GR School Lofts, LLC/758 Eastern NE	2012	20,416	19,257	-
Charter Development Co LLC	2012	76,622	72,271	72,271
1205 West Fulton LLC (Rylee's Ace)	2012	13,303	-	-
614 First Street Partners LLC	2012	92,064	86,758	86,758
Third Coast Development Partners 833 LLC	2012	33,152	4,214	4,214
240 Ionia Ave Redevelopment LLC	2013	3,411	3,217	3,217
600 Douglas LLC	2013	32,427	30,455	30,455
Mid Towne Village LLC #2	2013	396,819	374,287	374,287
20 Fulton, LLC	2013	178,811	168,658	168,658
Lofts on Michigan, LLC	2013	80,662	75,821	-
JB Attorney Holdings Clancy 2, LLC	2014	121,737	129,019	129,019
1400 Wealthy LLC	2014	28,977	27,246	27,246
TC 555 Michigan LLC	2014	47,570	44,708	44,708
Vista Springs Riverside Property, LLC	2014	30,723	30,723	-
Canal Street Brewing Company LLC	2014	14,775	13,809	13,809
Lofts on Alabama LLC	2014	82,862	77,740	75,297
601 West LLC	2014	185,304	174,081	174,081
Waters Building, LLC	2014	182,223	170,669	170,229
OMH, LLC	2015	99,882	93,741	93,741
Bridge and Turner, LLC	2015	336,986	316,666	316,666
Fulton and Seward, LLC	2015	171,995	161,401	159,529
Vander Mill, LLC	2015	3,892	3,642	3,642
Gateway at Belknap, LLC	2015	109,068	102,553	102,553
One Carlton, LLC	2015	78,083	73,367	72,871

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

June 30, 2020

Note 5 - Due to Project Recipients (Continued)

Project Name	Initial Year	FY 2020 Project-related Tax Increment Revenue and Exemption Loss Reimbursement from the State*	FY 2020 Total Project Tax Increment Reimbursement	FY 2020 Tax Increment Reimbursement Paid to Developer
Offsite Lake Drive, LLC	2015	\$ 53,172	\$ 53,172	\$ 52,914
601 Bond Nassau Dutch John Equities, LLC	2016	225,077	212,297	212,297
Bridge and Stocking, LLC	2016	550,745	517,324	517,324
Grand Rapids Properties I, LLC	2016	710,323	667,309	667,309
Grad Rapids-Market Avenue Place, LLC	2016	492,217	462,403	462,403
150 Ottawa Development, LLC	2016	361,432	338,680	338,680
1001 Monroe, LLC	2016	58,623	55,606	53,048
1059 Wealthy SE, LLC	2016	92,527	87,183	87,183
Diamond Place, LLC	2016	133,956	129,852	129,852
Third Coast 637 Michigan, LLC	2016	37,105	36,324	36,324
Lofts on Wealthy, LLC	2016	9,306	8,730	-
CWD 50 Monroe, LLC	2017	146,082	136,889	-
DEG Development Company, LLC	2017	80,111	75,249	75,249
Heritage Place Development, LLC	2017	118,397	111,226	111,226
449 Bridge Street Development, LLC	2018	3,664	3,552	-
111 Halo LLC	2018	882	855	855
Michigan Meadows LLC	2018	25,876	24,309	-
Walkerview LLC	2018	42,045	39,657	39,657
Total		9,080,021	6,906,770	6,439,341
Unpaid FY 2011-2019 reimbursements		-	336,537	-
Paid FY 2020 reimbursements		-	(6,439,341)	-
Due to project recipients		\$ 9,080,021	\$ 803,966	\$ 6,439,341

*Fiscal year 2020 revenue includes captured tax increment revenue, assessment appeals adjustments, and grants from the State of Michigan for property tax increment revenue lost due to Small Taxpayer and Eligible Manufacturing Personal Property (EMPP) tax exemptions, less the shares of captured State Education Tax revenue owed to the State of Michigan (see Note 6).

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

June 30, 2020

Note 6 - Due to Other Governments

In accordance with Michigan Public Act 381 of 1996, as amended, for brownfield redevelopment projects approved after January 1, 2013, the Authority must remit to the State of Michigan half of captured state education tax-related tax increment revenue. Actual payments to the State are delayed until an invoice is issued by the Michigan Economic Development Corporation. Pending receipt of this invoice, the unpaid liability is accrued.

Project Name	Initial Year	FY 2020 Project-related Tax Increment Revenue and Exemption Loss Reimbursement from the State	FY 2020 Total Tax Increment Reimbursement to Other Governments	FY 2020 Tax Increment Reimbursement Paid to Other Governments
600 Douglas LLC	2013	\$ 2,303	\$ 2,303	\$ -
Lofts on Michigan, LLC	2013	4,589	4,589	-
JB Attorney Holdings Clancy 2, LLC	2014	9,158	9,158	-
1400 Wealthy LLC	2014	1,509	1,509	-
TC 555 Michigan LLC	2014	2,849	2,849	-
Vista Springs Riverside Property, LLC	2014	3,812	3,812	-
Canal Street Brewing Company LLC	2014	2,233	2,233	-
Lofts on Alabama LLC	2014	7,352	7,352	-
601 West LLC	2014	12,357	12,357	-
Waters Building, LLC	2014	20,433	20,433	-
OMH, LLC	2015	8,277	8,277	-
Bridge and Turner, LLC	2015	20,879	20,879	-
Fulton and Seward, LLC	2015	14,584	14,584	-
Vander Mill, LLC	2015	519	519	-
Gateway at Belknap, LLC	2015	5,667	5,667	-
One Carlton, LLC	2015	5,454	5,454	-
Grand Rapids Properties I, LLC	2016	47,223	47,223	-
1001 Monroe, LLC	2016	3,664	3,664	-
1059 Wealthy SE, LLC	2016	8,064	8,064	-
Diamond Place, LLC	2016	10,606	10,606	-
150 Ottawa Development, LLC	2016	39,238	39,238	-
Grand Rapids - Market Avenue Place, LLC	2016	32,824	32,824	-
Bridge and Stocking, LLC	2016	37,840	37,840	-
Third Coast 637 Michigan, LLC	2016	4,311	4,311	-
Lofts on Wealthy, LLC	2016	829	829	-
Heritage Place Development, LLC	2017	7,895	7,895	-
CWD 50 Monroe, LLC	2017	15,835	15,835	-
DEG Development Company, LLC	2017	5,522	5,522	-
111 Halo LLC	2018	59	59	-
Michigan Meadows LLC	2018	1,726	1,726	-
449 Bridge Street Development, LLC	2018	268	268	-
Total		337,879	337,879	-
Unpaid FY 2008-2018 owed to other governments		-	173,151	-
Due to other governments		\$ 337,879	\$ 511,030	\$ -

Grand Rapids Brownfield Redevelopment Authority

Notes to Financial Statements

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Note 7 - Brownfield Remediation

The Authority's brownfield remediation work is accomplished through the work of project developers. Costs incurred to clean up environmentally distressed properties and/or convert functionally obsolete facilities are reimbursed from tax increment revenue captured from increases in property values or from grant proceeds. In fiscal year 2020, \$6,906,770 was incurred for developer reimbursements, \$289,774 was incurred for developer grants and loans, and \$429,253 was incurred from state grant proceeds.

Note 8 - Commitments

On August 22, 2012, the City of Grand Rapids, Michigan entered into a \$526,800 installment purchase agreement (IPA) for street resurfacing within the Authority's redevelopment area. The IPA was issued with an interest rate of 2.1 percent with maturities remaining at varying amounts from June 2020 to 2023. Although the IPA is backed by the City's limited full faith and credit pledge, the Authority has pledged tax increment revenue to pay this debt issue. On June 30, 2020, the principal balance on this agreement was \$155,800.

Note 9 - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. As of the date of issuance of the financial statements, the Authority's operations have not been significantly impacted, but the Authority continues to monitor the situation. No impairments were recorded as of the statement of net position/balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Authority's results of operations and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.