

City of Jackson Downtown
Development Authority

Year Ended
June 30, 2025

Basic Financial
Statements

Rehmann

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CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

December 16, 2025

Board of Directors
City of Jackson Downtown Development Authority
Jackson, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the **City of Jackson Downtown Development Authority** (the "Authority"), a component unit of the City of Jackson, Michigan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Authority, as of June 30, 2025, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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



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

Independent Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

The City of Jackson Downtown Development Authority (the "Authority") was established pursuant to Public Act 1975, as amended. The Authority presents this management's discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended June 30, 2025.

Using this Annual Report

The discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

- The *statement of net position and governmental fund balance sheet* presents information on all of the Authority's assets, liabilities and deferred inflows of resources, with the difference reported as net position / fund balance. Over time, increases or decreases in net position/ fund balance may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of activities and governmental fund revenues, expenditures and change in fund balance* presents information showing how the Authority's net position / fund balance changed during the most recent fiscal year.
- The *statement of revenues, expenditures and change in fund balance – budget and actual* presents information showing the comparison of the Authority's actual revenues and expenditures to what was budgeted for its primary operating fund.
- The *notes to the basic financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

The net position of the Authority is summarized for the purpose of determining the overall fiscal position. As shown below, the Authority's net position was \$164,368, all unrestricted. There was a decrease of \$54,399 in net position for the year ended June 30, 2025.

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

A comparative analysis of the data is presented below:

	Net Position	
	2025	2024
Assets		
Cash and cash equivalents	\$ 242,561	\$ 304,474
Accounts receivable	687	734
Loans receivable	45,722	64,606
Total assets	288,970	369,814
Liabilities		
Accounts payable	10,901	8,614
Accrued payroll	3,128	2,404
Unearned revenue	110,573	140,029
Total liabilities	124,602	151,047
Total net position - unrestricted	\$ 164,368	\$ 218,767
Net Position		
	2025	2024
Total revenues	\$ 240,793	\$ 251,878
Total expenses	295,192	273,038
Change in net position	(54,399)	(21,160)
Net position, beginning of year	218,767	239,927
Net position, end of year	\$ 164,368	\$ 218,767

Revenues decreased by approximately \$11,000, which was largely due to the following factors:

- A \$40,000 loss of City of Jackson contributions.
- An increase of \$23,000 for a grant received from the MEDC.

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Management's Discussion and Analysis

Expenses increased by approximately \$22,000, which was largely due to the following factors:

- An increase of \$23,000 for a grant received from the MEDC.

Budget

During 2025, total general fund revenues final amended budget was \$52,500 more than the original budget. In addition, total general fund expenditures final amended budget was \$29,350 more than the original budget. This is largely due to the following:

- Budget adjustments to revenues were made for anticipated contributions.
- Budget adjustments to revenues and expenditures were made to reflect the MEDC grant of \$23,000.

During 2025, total general fund revenues were \$249,752, which was less than the final amended budget by \$49,948. In addition, total general fund expenditures were \$295,192, which was less than the final amended budget by \$4,508. This is largely due to the following:

- A \$40,000 loss of City of Jackson contributions.
- No new facade loans were completed in the fiscal year as planned.

Economic Factors and Next Year's Budget

The DDA is excited to continue offering our popular loan/grant programs in 2025-2026, due to continued program funding and a surplus from last year's funds. Programs offered include Façade Loan/Grants, Rehabilitation Grants (gap funding), and Sign Grants. The DDA hopes to revitalize interest in the grant programs in 2025-2026, as current participation is minimal.

We continue operating the Grand River Farmers Market, an outdoor seasonal market featuring local farmers and vendors. However, the DDA ended operation of the farmers market in November 2025. Operation of the market will be turned over to a new organization and continue to run year-round.

We saw estimated record attendance numbers at our various downtown events (car shows, art walks, fall festival, Christmas in the City and Downtown Jackson Social District). We will continue adding new events through partnerships with various downtown business owners.

Contacting the Jackson Downtown Development Authority

This financial report is designed to provide a general overview of the Jackson Downtown Development Authority finances and to show accountability for the money it receives and expends. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 161 West Michigan Avenue, Jackson, MI 49201.

BASIC FINANCIAL STATEMENTS

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Net Position and Governmental Fund Balance Sheet

June 30, 2025

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 242,561	\$ -	\$ 242,561
Accounts receivables	217	-	217
Interest receivable	470	-	470
Loans receivable	45,722	-	45,722
Total assets	<u>\$ 288,970</u>	<u>-</u>	<u>288,970</u>
Liabilities			
Accounts payable	\$ 10,901	-	10,901
Accrued payroll	3,128	-	3,128
Unearned revenue	110,573	-	110,573
Total liabilities	124,602	-	<u>124,602</u>
Deferred inflows of resources			
Unavailable - loans receivable	15,647	(15,647)	
Fund balance			
Unassigned	<u>148,721</u>	<u>(148,721)</u>	
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 288,970</u>		
Net position - unrestricted		<u>\$ 164,368</u>	<u>\$ 164,368</u>

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

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Activities and Governmental Fund Revenues,

Expenditures and Change in Fund Balance

For the Year Ended June 30, 2025

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 87,470	\$ -	\$ 87,470
Intergovernmental	22,900	-	22,900
Interest	2,744	-	2,744
Events contributions	122,454	-	122,454
Business loan income	8,959	(8,959)	-
Miscellaneous	5,225	-	5,225
Total revenues	<u>249,752</u>	<u>(8,959)</u>	<u>240,793</u>
Expenditures / expenses			
Contractual services	171,306	-	171,306
Office supplies	74	-	74
Bank fees	1,486	-	1,486
Accounting and auditing	7,306	-	7,306
Telephone	505	-	505
Memberships, dues and fees	275	-	275
Conferences and travel	2,032	-	2,032
Special projects	37,047	-	37,047
Programs	75,161	-	75,161
Total expenditures / expenses	<u>295,192</u>	<u>-</u>	<u>295,192</u>
Net change in fund balance / net position	(45,440)	(8,959)	(54,399)
Fund balance / net position, beginning of year	<u>194,161</u>	<u>24,606</u>	<u>218,767</u>
Fund balance / net position, end of year	<u>\$ 148,721</u>	<u>\$ 15,647</u>	<u>\$ 164,368</u>

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

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual

For the Year Ended June 30, 2025

With Comparative Actual Amounts for the Fiscal Year Ended June 30, 2023

	2025				2024 Actual
	Original Budget	Final Budget	Actual	Over (Under) Budget	
Revenues					
Property taxes	\$ 81,700	\$ 89,000	\$ 87,470	\$ (1,530)	\$ 88,344
Intergovernmental	-	22,900	22,900	-	-
Interest	3,500	8,500	2,744	(5,756)	14,729
Events contributions	144,500	171,800	122,454	(49,346)	144,935
Business loan income	5,000	5,000	8,959	3,959	4,200
Miscellaneous	12,500	2,500	5,225	2,725	3,870
Total revenues	247,200	299,700	249,752	(49,948)	256,078
Expenditures					
Contractual services	152,900	173,150	171,306	(1,844)	128,634
Office supplies	450	200	74	(126)	263
Office equipment repair/replacement	1,200	1,600	-	(1,600)	1,212
Bank fees	2,000	2,000	1,486	(514)	1,995
Accounting and auditing	7,200	7,200	7,306	106	12,770
Advertising	-	-	-	-	750
Telephone	1,300	650	505	(145)	501
Memberships, dues and fees	500	500	275	(225)	375
Conferences and travel	1,500	2,800	2,032	(768)	250
Special projects	32,400	41,300	37,047	(4,253)	35,083
Programs	70,900	70,300	75,161	4,861	91,205
Loans to businesses	-	-	-	-	4,213
Total expenditures	270,350	299,700	295,192	(4,508)	277,251
Net change in fund balance	(23,150)	-	(45,440)	(45,440)	(21,173)
Fund balance, beginning of year	194,161	194,161	194,161	-	215,334
Fund balance, end of year	\$ 171,011	\$ 194,161	\$ 148,721	\$ (45,440)	\$ 194,161

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

NOTES TO FINANCIAL STATEMENTS

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Jackson Downtown Development Authority (the "Authority") is a component unit of the City of Jackson, Michigan (the "City"), and is presented as a discrete component unit in the City's financial statements, as it is an integral part of that reporting entity. The City of Jackson appoints the Authority's Board of Directors, has the ability to significantly influence the Authority's operations, and it is financially accountable for the Authority.

Authorized under Act No. 197 Public Acts of 1975, the Authority's purpose is to revitalize the downtown business district. The Authority operates under the supervision of a Board of Directors (appointed by the City Council of the City of Jackson).

Government-wide and Fund Financial Statements

The Authority uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Position and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Change in Fund Balance. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports the general fund as the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those, if any, accounted for and reported in another fund.

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Financial Statements

Unearned Revenue

Unearned revenue consists of unredeemed gift certificates (\$80,573) and balances due to the Authority related to the façade improvement loans (\$30,000). The Authority has four façade improvement loans with local businesses. Payments are to be made in varying amounts by year if the improved property is sold or transferred. If sold/transferred in the first year the loan is to be repaid in full, 80% is to be repaid in year two, 60% in year three, 40% in year four, 20% in year five and after five years the borrower has no obligation to repay the loan.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental fund reports unavailable revenues, which arises only under a modified accrual basis of accounting, from loans that are expected to be collected over ten years. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. *Restricted fund balance*, if any, is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. *Committed fund balance*, if any, is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board. A formal resolution of the Board is required to establish, modify, or rescind a fund balance commitment. The Authority currently has no nonspendable, restricted or committed fund balances. The Authority also has no *assigned fund balance* as the Board has not yet given authority for the making of such assignments; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general fund.

When the government incurs an expenditure for purposes for which various fund balance classifications can be used, it is the government's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Budgetary Information

The general fund is under formal budgetary control and its budget is prepared on the same modified accrual basis used to reflect actual results. In the body of the financial statements, the Authority's actual expenditures and budgeted expenditures are shown on a natural classification basis, and the budgets are adopted and amended at the fund level.

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Financial Statements

2. CASH AND CASH EQUIVALENTS

Following in a summary of deposit balances as of June 30, 2025:

Statement of Net Position

Cash and cash equivalents	<u>\$ 242,561</u>
Deposits	
Petty cash	\$ 130
Deposits - held by the Authority	106,343
Deposits - Authority's portion of the City's pooled cash and investments	<u>136,088</u>
Total	<u>\$ 242,561</u>

All accounts are in the name of the Authority. Interest is recorded when deposits mature or is credited to the applicable account.

Statutory Authority

The Authority is authorized by Michigan law to invest surplus funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States Banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Cash and cash equivalents are in accordance with statutory authority.

Custodial Credit Risk – Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the Authority's deposits may not be returned to the government. As of June 30, 2025, the Authority's bank balance of \$106,343 (total book balance was \$106,343) was insured by the FDIC.

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Financial Statements

3. RECEIVABLES

The Authority has accounts receivable of \$217 at June 30, 2025.

The Authority has four loans outstanding with local businesses for a total of \$15,722. Payments of \$224, \$73, \$40, and \$10 are to be made monthly through March 15, 2028, March 20, 2030, September 28, 2030, and March 15, 2031, respectively, with a fixed interest rate of 0.0% per annum. Repayment of these loans is based on the ability by the businesses to generate revenues.

The Authority has four facade improvement loans with other local businesses for a total outstanding balance of \$30,000. Payments are to be made in varying amounts by year if the improved property is sold or transferred. If sold/transferred in the first year the loan is to be repaid in full, 80% is to be repaid in year two, 60% in year three, 40% in year four, 20% in year five and after five years the borrower has no obligation to repay the loan.

The total balance for the four loans as of June 30, 2025 is \$45,722, which is reported as loans receivable on the statement of net position.

	Original Amount	Loan Balance at June 30, 2025	Facade Improvement Loan Balance at June 30, 2025	Total Balance at June 30, 2025
Loans receivable				
159 West Michigan Avenue	\$ 33,811	\$ 8,287	\$ 15,000	\$ 23,287
Rustic Market	11,150	4,246	5,000	9,246
RJ's Metropolitan Ice Cream	8,348	2,498	5,000	7,498
Found Church	5,865	691	5,000	5,691
Total loans receivable	\$ 59,174	\$ 15,722	\$ 30,000	\$ 45,722

Of the \$15,722 of loans, the Authority does not expect to collect \$11,554 within one year. Additionally, the Authority does not expect any of the façade loans to be sold or transferred and as such, does not expect to collect any of the \$30,000 within one year.

4. PROPERTY TAXES

Property taxes for the Authority are levied each July 1, based on the assessed valuation of property located in the City of Jackson, as of the preceding December 31, the lien date. Property taxes are due on July 20, and are recognized in the fiscal year in which they are levied. The Authority levied property taxes of 1.9996 mills for the year ended June 30, 2025.

CITY OF JACKSON DOWNTOWN DEVELOPMENT AUTHORITY

Notes To Financial Statements

5. RELATED PARTY TRANSACTION

Of the Authority's cash and cash equivalents, deposits of \$106,343 are with an investment firm in which one of the Authority's Board Members is a Regional Vice President. The Authority Board approved this deposit and it occurred before the individual was a member of the Board.

6. RECONCILIATION

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

Fund balances - total governmental fund	\$ 148,721
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred inflows in the governmental fund, and thus are not included in fund balance.

Unavailable long-term loans receivable	<u>15,647</u>
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Net position	<u><u>\$ 164,368</u></u>
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Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities, which reconciles the net change in fund balance to the change in net position:

Net change in fund balance	\$ (45,440)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Business loan repayments	<u>(8,959)</u>
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Change in net position	<u><u>\$ (54,399)</u></u>
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

December 16, 2025

Board of Directors
City of Jackson Downtown Development Authority
Jackson, 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 major fund of the **City of Jackson Downtown Development Authority** (the "Authority"), a component unit of the City of Jackson, Michigan, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 16, 2025.

Report on Internal Control Over Financial Reporting

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

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

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



Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehman Lohani LLC". The signature is written in a cursive style with a large initial 'R' and 'L'.