

Main Street
Area Business
Improvement
Zone

MainStreetBlZ

Years Ended
June 30, 2016
and 2015

Statements of
Expenditures -
Cash Basis

MAIN STREET AREA BUSINESS IMPROVEMENT ZONE

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INDEPENDENT AUDITORS' REPORT

 , 2017

Board of Directors
Main Street Area Business Improvement Zone
Ann Arbor, Michigan

Report on the Statements of Expenditures - Cash Basis

We have audited the accompanying cash basis statements of expenditures (the "Statements") of Main Street Area Business Improvement Zone for the years ended June 30, 2016 and 2015, and the related notes to the Statements.

Management's Responsibility for the Statements of Expenditures - Cash Basis

Management is responsible for the preparation and fair presentation of the Statements in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statements. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the 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 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 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 Statements referred to above present fairly, in all material respects, the cash basis expenditures of Main Street Area Business Improvement Zone for the years ended June 30, 2016 and 2015, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the Statements, which describes the basis of accounting. The Statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

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MAIN STREET AREA BUSINESS IMPROVEMENT ZONE

STATEMENTS OF EXPENDITURES - CASH BASIS

	Year Ended June 30	
	2016	2015
Operating expenditures		
Snow removal and hauling	\$ 88,855	\$ 104,991
Sidewalk sweeping	81,875	55,375
Landscaping	43,639	18,405
Operations management	18,000	17,300
Executive services	14,400	13,343
Handbill removal	11,125	8,115
Legal and accounting fees	4,314	6,324
Insurance	2,686	2,650
Tree maintenance	1,375	-
Internet service	552	429
Website maintenance and hosting	367	487
Printing	349	522
Staff uniforms	210	336
Parking	38	62
Postage	-	68
Total operating expenditures	267,785	228,407
Nonoperating expenditures		
Debt service - paid to property owners	3,570	3,570
Total expenditures - cash basis	<u>\$ 271,355</u>	<u>\$ 231,977</u>

The accompanying notes are an integral part of these statements.

MAIN STREET AREA BUSINESS IMPROVEMENT ZONE

NOTES TO STATEMENTS OF EXPENDITURES - CASH BASIS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Main Street Area Business Improvement Zone (the "BIZ") is a public body corporate, a separate legal entity authorized under Michigan Public Act 120 of 1961. The law allows the BIZ to be created by private property owners of parcels in a zone plan, subject to the approval of the City of Ann Arbor (the "City"). The BIZ may levy special assessments to finance the activities outlined in the zone plan. The BIZ has no component units - separate legal entities for which the BIZ is financially accountable - nor is it reported as a component unit of the City. The BIZ is under no authority of the City.

The BIZ was created in 2010 when the City-approved zone plan was adopted by vote of more than 60% of the property owners voting in a special election. The BIZ is authorized to operate for a ten year period. Prior to the expiration of the ten year period, a new zone plan can be approved through another special election for the next ten year period.

Accordingly, in fiscal 2014, the board of directors of the BIZ approved a plan to expand the geographic area of the BIZ zone, subject to, among other requirements, formal approval of more than 60% of the property owners of the currently-constituted BIZ and more than 60% of the property owners within the proposed new BIZ zone territory, and ratification by the City. The expansion plan was formally approved and ratified in May 2014. The expansion more than doubled the size of the original BIZ footprint. The newly-expanded BIZ was effective beginning on July 1, 2014 as the Main Street Area Business Improvement Zone.

In conjunction with the expansion, startup costs for the expanded BIZ were funded by advances from five property owners within the expanded BIZ zone totaling \$25,000. The zone plan provides for repayment of these advances over ten years without interest, beginning in fiscal 2015; however, the board of directors has elected to reimburse the advances over seven years without interest. (See Note 2).

A nine member board of directors governs the BIZ. One of the directors is appointed by the mayor of the City.

Nature of Business

The purpose of the BIZ is to achieve the highest quality, best maintained urban commercial environment possible. To accomplish this, the BIZ will arrange for activities such as sidewalk cleaning, sidewalk snow removal, landscape improvements, and maintenance. The BIZ seeks to provide high quality services that complement, not replace, City of Ann Arbor services, in order to make the neighborhood surrounding South Main Street in downtown Ann Arbor cleaner, safer, and more vibrant.

The BIZ is funded by special assessments levied on real property within the zone plan and contributions from the community.

The boundaries of the zone subject to special assessment are defined on the north by the south side of Huron Street (from the east side of South Ashley Street to the west side of South Fifth Avenue); on the east by the west side of South Fifth Avenue (from the south side of East Huron Street to the north side of East Liberty Street), by the north side of East Liberty Street (from the west side of South Fifth Avenue to the west side of South Fourth Avenue), and by the west side of South Fourth Avenue (from the north side of East Liberty Street to the north side of East William Street); on the south by the north side of East

MAIN STREET AREA BUSINESS IMPROVEMENT ZONE

■ NOTES TO STATEMENTS OF EXPENDITURES - CASH BASIS

William Street (from the north side of East Liberty Street to the north side of East William Street); and on the west by the east side of South Ashley Street (from the north side of West William Street to the south side of West Huron Street).

Basis of Accounting

The BIZ's policy is to prepare its statement of expenditures on the cash basis of accounting; consequently, expenditures are recognized when cash is disbursed rather than when the obligation is incurred. The accompanying statements were prepared for the purpose of complying with Michigan Public Act 120 of 1961, and are not intended to be a complete presentation of the BIZ's assets, liabilities, revenues, or expenditures as determined using the cash basis of accounting.

■ 2. RELATED PARTY TRANSACTIONS

The BIZ has contracted with a property owner within the BIZ zone to provide operations management services to the BIZ. The property owner, a real estate management company, operates two properties encompassing six parcels within the district. The property owner provides services to the BIZ, under a fixed-fee arrangement, which totaled \$18,000 and \$17,300 during the years ended June 30, 2016 and 2015, respectively.

As described in Note 1, startup costs to expand the BIZ were funded by advances from five property owners within the expanded BIZ zone totaling \$25,000, which are being reimbursed over seven years; reimbursement in fiscal 2016 and 2015 was \$3,570. Reimbursement of the advances is reported as a nonoperating expenditure.

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