

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY
(A Component Unit of the City of Detroit, Michigan)

FINANCIAL STATEMENTS
(With Required Supplementary Information)

June 30, 2021 and 2020



CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)	3
FINANCIAL STATEMENTS:	
Statements of Net Position	8
Statements of Activities	9
Balance Sheets — Governmental Funds	10
Reconciliations of Governmental Funds Balance Sheets to Statements of Net Position	11
Statements of Revenue, Expenditures, and Changes in Fund Balances — Governmental Funds	12
Reconciliations of Governmental Funds Statements of Revenue, Expenditures, and Changes in Fund Balances to Statements of Activities	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedules of Revenue and Expenditures — Budget and Actual — General Fund (Unaudited)	26
Note to Schedules of Revenue and Expenditures — Budget and Actual — General Fund (Unaudited)	27



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INDEPENDENT AUDITOR'S REPORT

September 22, 2021

To the Board of Directors
City of Detroit Local Development Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Detroit Local Development Finance Authority (the "LDFA"), a component unit of the City of Detroit, Michigan, as of, and for the years ended, June 30, 2021 and 2020, as well as the related notes to the financial statements, which collectively comprise the LDFA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The LDFA's 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 audits. We conducted our audits 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 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 LDFA'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 LDFA'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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (continued)

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 each major fund of the LDFA as of June 30, 2021 and 2020, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and budgetary comparison on pages 26 through 27 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 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 September 22, 2021, on our consideration of the LDFA'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 LDFA's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

June 30, 2021 and 2020

This section of the annual report of the City of Detroit Local Development Finance Authority (the “LDFA”) presents management’s discussion and analysis of the LDFA’s financial performance during the fiscal years that ended on June 30, 2021 and 2020. Please read it in conjunction with the LDFA’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The LDFA’s main purpose is to collect taxes within the tax increment district and pay debt service on the bonds that were issued to construct the Jefferson Avenue Chrysler Plant. In May 2002, the LDFA expanded its function and adopted resolutions establishing an additional development district and approving the Tax Increment Financing Plan for Technology Park Area No. 1 (the “TIF Plan”). The purpose of the TIF Plan was to partially fund the development of the Wayne State University Research and Technology Park. In October 2003, the LDFA further expanded its function and entered into a Core Community Fund grant agreement with the Michigan Economic Development Corporation. The purpose of the grant agreement was to fund projects in the City of Detroit (the “City”) on the East Riverfront, in the downtown district, and in the University Cultural Area.

In prior years, the financial report was prepared by the City. In recent years, due to the increased activity being performed by the LDFA, the LDFA has increased the level of service it has requested the Detroit Economic Growth Corporation to perform on its behalf.

For the year ended June 30, 2021, the LDFA had revenue of approximately \$4.9 million. This is a slight decrease from the prior year, but still up from other recent years. Acts 480 and 481, Public Acts of Michigan of 2018 (“Acts 480 and 481”) assisted authorities that were receiving reimbursement from the State of Michigan (the “State”) after having been adversely affected by personal property tax reform.

Expenses held steady at around \$900,000, which mainly consisted of interest expense and project cost reimbursement. The Core Community Fund grant project is near completion, and the remainder of the grant should be spent during the year ending June 30, 2022.

In order to alleviate cash flow concerns, the LDFA had received a \$2.5 million bridge loan from the Economic Development Corporation of the City of Detroit (the “EDC”). The loan was repaid during the fiscal year ended June 30, 2021.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net position and statements of activities (which are presented on pages 8 and 9) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 10 and 12) are considered fund financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2021 and 2020

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

A further discussion of each type of statement follows.

Government-Wide Financial Statements

The government-wide financial statements report information about the LDFA as a whole, using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net position include all of the LDFA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the LDFA's net position and how they have changed. Net position represents the difference between the LDFA's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and it represents one way to measure the LDFA's financial health or position. Over time, increases or decreases in the LDFA's net position are an indicator of whether its financial health is improving or deteriorating.

Fund Financial Statements

The fund financial statements provide more detailed information about the LDFA's funds, not the LDFA as a whole. Funds are accounting devices that the LDFA uses to keep track of specific sources of funding and spending for particular purposes.

Most of the LDFA's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the LDFA's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 11 and 13 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 14, explain some of the information in the financial statements and provide more detailed data. A comparison of the LDFA's general fund revenue and expenditures to its budget is provided on page 26.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2021 and 2020

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects a condensed summary of the LDFA’s assets, liabilities, and net position as of June 30, 2021, 2020, and 2019:

Table 1
Statements of Net Position
June 30, 2021, 2020, and 2019
(in millions of dollars)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Cash	\$ 1.5	\$ 1.0	\$ 1.2
Investments	<u>-0-</u>	<u>6.1</u>	<u>8.9</u>
Total Assets	<u>1.5</u>	<u>7.1</u>	<u>10.1</u>
Liabilities:			
Long-term liabilities:			
Due or expected to be paid within one year	-0-	7.3	7.2
Due or expected to be paid in more than one year	-0-	2.5	9.8
Other liabilities	<u>0.3</u>	<u>0.1</u>	<u>0.2</u>
Total Liabilities	<u>0.3</u>	<u>9.9</u>	<u>17.2</u>
Net Position:			
Restricted for TIF Plan purposes	-0-	6.1	8.9
Restricted for grant projects	0.4	0.4	0.4
Unrestricted	<u>0.8</u>	<u>(9.3)</u>	<u>(16.4)</u>
Total Net Position	<u>\$ 1.2</u>	<u>\$ (2.8)</u>	<u>\$ (7.1)</u>

The net position of the LDFA increased by approximately 143 percent from June 30, 2020. This increase is due primarily to tax revenue that continues to exceed interest and other expenditures.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2021 and 2020

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects a condensed summary of the LDFA’s revenue, expenses, and changes in net position for the years ended June 30, 2021, 2020, and 2019:

Table 2
Statements of Activities
For the Years Ended June 30, 2021, 2020, and 2019
(in millions of dollars)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Revenue:			
General revenue	\$ 4.9	\$ 5.2	\$ 4.0
Expenses:			
Economic development	<u>0.9</u>	<u>0.9</u>	<u>1.3</u>
Change in Net Position	4.0	4.3	2.7
Net Position, Beginning of Year	<u>(2.8)</u>	<u>(7.1)</u>	<u>(9.8)</u>
Net Position, End of Year	<u>\$ 1.2</u>	<u>\$ (2.8)</u>	<u>\$ (7.1)</u>

Revenue experienced a slight decrease during the year ended June 30, 2021, but remained well up over other recent years. Acts 480 and 481 assisted authorities that were receiving reimbursement from the State after having been adversely affected by personal property tax reform. This was part of the reason for the increase. Expenses during the year ended June 30, 2021 consisted mainly of interest payments on the final outstanding bonds and project cost reimbursement.

In comparing the LDFA’s revenue and expenditures to its budget, the LDFA had minor variances in both categories. Property tax revenue slightly fell short of expectations. Project reimbursements were less than anticipated, but the difference will be expended in future years.

LONG-TERM LIABILITIES

All long-term debt has been retired. The activity is summarized in Note D to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)

June 30, 2021 and 2020

ECONOMIC FACTORS

The LDFA receives a large majority of its revenue through dedicated tax receipts. The economic health of the tax increment district area has a substantial impact on the level of revenue received. Personal property tax reform by the State ensures payment to the LDFA of revenue that it was receiving in prior years, but limits the ability of the LDFA's property tax revenue to grow significantly. Acts 480 and 481 have assisted the LDFA in offsetting the limitations to capture as a result of personal property tax reform by allowing the use of 2013 industrial personal property values rather than current-year industrial personal property values when submitting personal property loss reimbursement forms to the State's Treasury Department.

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the LDFA's finances and to demonstrate the LDFA's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the office of the Chief Financial Officer of the Detroit Economic Growth Corporation, 500 Griswold, Suite 2200, Detroit, Michigan 48226.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Assets:		
Cash (Note B)	\$ 1,529,566	\$ 1,029,451
Investments (Note B)	-0-	6,063,539
Total Assets	1,529,566	7,092,990
Liabilities:		
Accounts payable	366,833	14,437
Accrued interest payable	-0-	69,123
Long-term liabilities (Note D):		
Due or expected to be paid within one year	-0-	7,340,000
Due or expected to be paid in more than one year	-0-	2,500,000
Total Liabilities	366,833	9,923,560
Net Position:		
Restricted for Tax Increment Financing Plan purposes	-0-	6,063,539
Restricted for grant projects	397,485	397,485
Unrestricted	765,248	(9,291,594)
Total Net Position	\$ 1,162,733	\$ (2,830,570)

See notes to financial statements.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021 and 2020

	Governmental Activities	
	2021	2020
Expenses:		
Economic development program:		
Project costs	\$ 353,702	\$ -0-
Administrative and operating expenses (Note A)	164,935	169,634
Interest expense	345,613	752,385
	864,250	922,019
General Revenue:		
Property taxes (Note C)	4,856,949	5,063,226
Earnings on investments	604	132,963
	4,857,553	5,196,189
	3,993,303	4,274,170
Net Position, Beginning of Year	(2,830,570)	(7,104,740)
	\$ 1,162,733	\$ (2,830,570)

See notes to financial statements.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

June 30, 2021 and 2020

	<u>General Fund</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Cash (Note B)	\$ 1,529,566	\$ 1,029,451
Investments (Note B)	-0-	6,063,539
Total Assets	<u>\$ 1,529,566</u>	<u>\$ 7,092,990</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 366,833	\$ 14,437
Total Liabilities	<u>366,833</u>	<u>14,437</u>
Fund Balances:		
Restricted (Note A)	397,485	6,461,024
Unassigned	765,248	617,529
Total Fund Balances	<u>1,162,733</u>	<u>7,078,553</u>
Total Liabilities and Fund Balances	<u>\$ 1,529,566</u>	<u>\$ 7,092,990</u>

See notes to financial statements.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

June 30, 2021 and 2020

	2021	2020
Total Fund Balances, Governmental Funds	\$ 1,162,733	\$ 7,078,553
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:</p>		
Bonds and note payable	-0-	(9,840,000)
Accrued interest payable	-0-	(69,123)
Total Net Position, Governmental Activities	\$ 1,162,733	\$ (2,830,570)

See notes to financial statements.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND
BALANCES — GOVERNMENTAL FUNDS**

For the Years Ended June 30, 2021 and 2020

	General Fund	
	2021	2020
Revenue:		
Property taxes (Note C)	\$ 4,856,949	\$ 5,063,226
Earnings on investments	604	132,963
Total Revenue	4,857,553	5,196,189
Expenditures:		
Current:		
Project costs	353,702	-0-
Administrative and operating expenses (Note A)	164,935	169,634
Interest expense	414,736	819,915
Debt service (Note D)	9,840,000	7,185,000
Total Expenditures	10,773,373	8,174,549
Change in Fund Balances	(5,915,820)	(2,978,360)
Fund Balances, Beginning of Year	7,078,553	10,056,913
Fund Balances, End of Year	\$ 1,162,733	\$ 7,078,553

See notes to financial statements.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Change in Fund Balances, Governmental Funds	\$ (5,915,820)	\$ (2,978,360)
<p>Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:</p>		
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statements of net position. During the years presented, these amounts are as follows:</p>		
Repayment of bonds and note payable	9,840,000	7,185,000
Accrued interest payable, beginning of year	69,123	136,653
Less: Accrued interest payable, end of year	<u>-0-</u>	<u>(69,123)</u>
Change in Net Position, Governmental Activities	<u>\$ 3,993,303</u>	<u>\$ 4,274,170</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The City of Detroit Local Development Finance Authority (the “LDFA”) was created by a Detroit City Council resolution dated October 31, 1988 under the provisions of Act 281, Public Acts of Michigan of 1986, which has been recodified under Act 57, Public Acts of Michigan of 2018. The LDFA was established, in part, for the purpose of financing the Jefferson/Conner Industrial Revitalization Project (the “Project”). The Project’s area encompasses approximately 380 acres and is located in the southeast portion of the City of Detroit, Michigan (the “City”). FCA US LLC’s Jefferson North Assembly Plant occupies approximately 60 percent of the Project’s total land area. The LDFA has since expanded its function and adopted resolutions establishing an additional development district and approving the Tax Increment Financing Plan for Technology Park Area No. 1 (the “TIF Plan”). The purpose of the TIF Plan was to partially fund the development of the Wayne State University Research and Technology Park. The LDFA has also entered into a Core Community Fund grant agreement with the Michigan Economic Development Corporation that includes several City improvement projects.

For financial reporting purposes, the LDFA is a component unit of the City because the majority of the members of the LDFA’s Board of Directors is appointed by the City’s mayor and is confirmed by the Detroit City Council, which approves the LDFA’s budget. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

The financial statements of the LDFA consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of the LDFA’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Deferred outflows of resources represent the consumption of net assets by the LDFA that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the LDFA that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (continued)

Fund Financial Statements

For purposes of the fund financial statements, the accounts of the LDFA are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. The various funds are summarized by type in the fund financial statements. The following fund, which is considered a major fund, is used by the LDFA:

General Fund

The general fund is the general operating fund of the LDFA. It is used to account for all financial resources other than those required to be accounted for in another fund.

The LDFA’s fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

Restricted

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. Restricted fund balances consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Restricted for TIF Plan purposes	\$ -0-	\$ 6,063,539
Restricted for grant projects	<u>397,485</u>	<u>397,485</u>
	<u>\$ 397,485</u>	<u>\$ 6,461,024</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

Committed

These fund balances consist of amounts that are constrained to specific purposes by the LDFA itself, using its highest level of decision-making authority, which is the Board of Directors. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Directors takes action to remove or change the constraint. The Board of Directors typically establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, or through adoption and amendment of the budget.

Assigned

These fund balances consist of amounts that the LDFA intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Directors, or by an official or body to which the Board of Directors delegates the authority, such as the LDFA's duly authorized agents. Assigned fund balances are typically established through adoption or amendment of the budget.

Unassigned

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Grants and other revenue intended for use in specific projects are classified as program revenue. All other revenue, including all property tax revenue, is classified as general revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Fund Financial Statements

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. “Available” means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

Administration

For the years ended June 30, 2021 and 2020, the LDFA entered into agreements with the Detroit Economic Growth Corporation (the “DEGC”) for administrative and professional services at an annual cost not to exceed \$125,000 per year. These expenditures are reflected in administrative expenses for services rendered for each year. No amounts were due to the DEGC as of June 30, 2021 or 2020.

Investments

The LDFA’s investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

Units of money market funds are valued at quoted market prices, which represent the net asset value of units held by the LDFA as of the end of the year.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

Fair Value Measurements

The LDFA uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The LDFA utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the LDFA applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the LDFA has the ability to access
- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (continued)

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

NOTE B — CASH DEPOSITS AND INVESTMENTS

Cash Deposits

State of Michigan (the “State”) statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business, and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that in the event of a bank failure, the LDFA’s deposits may not be returned to the LDFA. The LDFA does not have a deposit policy for custodial credit risk.

As of June 30, 2021 and 2020, the LDFA’s carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance or another type of insurance, are as follows:

	<u>2021</u>	<u>2020</u>
Carrying amount of deposits	<u>\$ 1,529,566</u>	<u>\$ 1,029,451</u>
Total bank balances	<u>\$ 1,529,566</u>	<u>\$ 1,029,451</u>
Uninsured and uncollateralized bank balances	<u>\$ 1,029,566</u>	<u>\$ 702,329</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)**Investments**

The LDFA used all remaining investment balances during the year ended June 30, 2021 to make its final debt service payments. Therefore, there are no investment balances reported as of June 30, 2021. The LDFA's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2020 is summarized as follows:

	<u>Fair Value Measurements</u>			<u>Total</u>
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Assets:				
Investments at fair value:				
Money market funds	\$ 6,063,539	\$ -0-	\$ -0-	\$ 6,063,539

These investments, along with the related accrued interest receivable, have been accumulated and reserved in accordance with bond ordinance provisions or other restrictive covenants.

Credit risk is the risk that the LDFA will not recover its investments due to the inability of the counterparty to fulfill its obligations. State statutes authorize the LDFA to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Act, and mutual funds composed entirely of the above investments. The LDFA has no investment policy that would further limit its investment options.

The LDFA does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial credit risk is the risk that in the event of the failure of the counterparty, the LDFA will not be able to recover the value of its investments that are in the possession of an outside party. The LDFA places no limit on the amount it may invest in any one issuer.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Individual investments that represent five percent or more of the LDFA's total investments as of June 30, 2020, or for which credit risk or interest rate risk disclosures are required, are as follows:

**Investments held by the counterparty's
trust department or agent in the
LDFA's name:**

Money market funds:

Aaa-mf rating from Moody's:

First American Government Obligations
Fund, Class Y (weighted average
maturity of 43 days) \$ 6,063,530

First American Treasury Obligations
Fund, Class Y (weighted average
maturity of 43 days) 9

NOTE C — PROPERTY TAXES

The LDFA is authorized to finance its activities by capturing an incremental portion of the tax proceeds on the increases in the assessed value on the real and personal property of the Jefferson North Assembly Plant that are levied by the City and Wayne County, Michigan (the "County").

The City and the County levy property taxes on July 1 of each year. July property taxes are due in full to the City on August 31 of each year, but may be paid in two installments, which are due on August 15 and January 15 of each year. The County also levies property taxes on December 1 of each year. December property taxes are due on January 15 of each year. Taxes become a lien on property assessed on July 1 and December 1 of each year. The City is scheduled to remit collected incremental property taxes to the LDFA in October and April of each year for all millage rates being captured.

In 1994, State voters passed Proposal A, which affected school property tax revenue. As a result, tax increment plans are only allowed to capture school tax revenue to the extent necessary to cover existing debt service, and the excess must be returned to the State.

An audit was completed by the State for the tax years ended through 2009, but an audit of subsequent years has not been completed as of June 30, 2021. At this time, it is anticipated that the LDFA has not overcaptured any taxes and, as such, management has recorded no provision for estimated future refunds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE D — LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2021 and 2020 consist of the following:

Bonds Payable

On September 15, 1998, the LDFA issued \$52,205,000 in 1998 Series A subordinated bonds, of which \$46,869,964 was being used to pay the City for certain costs of public facilities. Principal and interest payments commenced on May 1, 1999 and were payable through May 2021. Interest payments were due semi-annually each May and November. As of June 30, 2021, the LDFA has satisfied all obligations under this bond issue.

On September 5, 1997, the LDFA issued \$45,865,000 in 1997 Series A tax increment refunding bonds, with an average interest rate of 5.3 percent per annum, to refund \$42,000,000 of outstanding bonds issued in 1991. The proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on all of the refunded bonds. As a result, the refunded bonds are considered defeased, and the liability for those bonds has been removed from the financial statements. The amount of defeased debt outstanding as of June 30, 2021 and 2020 is \$-0- and \$3,370,000, respectively.

On September 5, 1997, the LDFA also issued \$11,500,000 in 1997 Series B and Series C tax increment bonds, the proceeds of which were being used to pay the City for certain costs of public facilities. Principal payments commenced on July 14, 2000 and were payable through July 2021. Interest payments were due semi-annually each May and November and commenced on November 1, 1997. As of June 30, 2021, the LDFA has satisfied all obligations under this bond issue.

The interest rates on the outstanding fixed-rate bonds ranged from 4.1 percent to 6.85 percent per annum. The property taxes of the LDFA were pledged for repayment of the bonds.

Note Payable

On November 21, 2018, the LDFA executed a funding agreement with the Economic Development Corporation of the City of Detroit (the “EDC”) to borrow \$2,500,000 in order to fund remaining debt service obligations in connection with the aforementioned bonds. Under the funding agreement with the EDC, the note did not bear any interest and matured on December 31, 2021. This note was fully repaid on May 10, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

NOTE D — LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the years ended June 30, 2021 and 2020 is as follows:

	<u>Bonds Payable</u>	<u>Note Payable</u>	<u>Total</u>
Balance, July 1, 2019	\$ 14,525,000	\$ 2,500,000	\$ 17,025,000
Less: Repayments	<u>(7,185,000)</u>		<u>(7,185,000)</u>
Balance, June 30, 2020	7,340,000	2,500,000	9,840,000
Less: Repayments	<u>(7,340,000)</u>	<u>(2,500,000)</u>	<u>(9,840,000)</u>
Balance, June 30, 2021	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>
Amounts Due Within One Year:			
June 30, 2020	<u>\$ 7,340,000</u>	<u>\$ -0-</u>	<u>\$ 7,340,000</u>
June 30, 2021	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ -0-</u></u>

NOTE E — RISK MANAGEMENT

The LDFA has insurance policies covering its directors and officers. It also has general liability insurance and property insurance covering its various assets. Due to the extent of insurance that the LDFA maintains, the risk of loss to the LDFA, in management's opinion, is minimal.

NOTE F — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Under the State's Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2021 and 2020

**NOTE F — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
(CONTINUED)**

During the year ended June 30, 2021, the LDFA did not incur expenditures in excess of the amounts budgeted for any category.

NOTE G — CONTINGENCIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date that the accompanying financial statements were available to be issued. As such, it is uncertain as to the full magnitude that the pandemic will have on the LDFA’s net position, liquidity, and future operations. The LDFA’s operations are heavily dependent on the ability to raise property taxes. The COVID-19 outbreak may have a continued impact on economic and market conditions.

As of the date of issuance of the financial statements, the LDFA’s operations have not been significantly impacted, but the LDFA’s management continues to monitor the situation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

SCHEDULES OF REVENUE AND EXPENDITURES — BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)

For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Property taxes	\$ 5,000,000	\$ 5,000,000	\$ 4,856,949	\$ (143,051)	\$ 3,750,000	\$ 3,750,000	\$ 5,063,226	\$ 1,313,226
Earnings on investments	20,000	20,000	604	(19,396)	35,000	35,000	132,963	97,963
Total Revenue	5,020,000	5,020,000	4,857,553	(162,447)	3,785,000	3,785,000	5,196,189	1,411,189
Expenditures:								
Current:								
Project costs	397,500	397,500	353,702	43,798	397,500	397,500		397,500
Administrative and operating expenses	180,000	180,000	164,935	15,065	180,000	180,000	169,634	10,366
Interest expense	414,736	414,736	414,736	-0-	819,915	819,915	819,915	-0-
Debt service	9,840,000	9,840,000	9,840,000	-0-	7,185,000	7,185,000	7,185,000	-0-
Total Expenditures	10,832,236	10,832,236	10,773,373	58,863	8,582,415	8,582,415	8,174,549	407,866
Change in Fund Balance	\$ (5,812,236)	\$ (5,812,236)	\$ (5,915,820)	\$ (103,584)	\$ (4,797,415)	\$ (4,797,415)	\$ (2,978,360)	\$ 1,819,055

See note to schedules of revenue and expenditures — budget and actual (general fund).

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES —
BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)**

For the Years Ended June 30, 2021 and 2020

NOTE A — BUDGETS AND BUDGETARY ACCOUNTING

The City of Detroit Local Development Finance Authority (the “LDFA”) establishes a budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented and approved by the LDFA’s Board of Directors and the Detroit City Council. No amendments to the budget were made during the year. Appropriations are authorized by the LDFA’s management.

Certain reclassifications have been made to the accompanying schedule for the year ended June 30, 2020 to conform to classifications used for the year ended June 30, 2021.