

DETROIT/WAYNE COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
(With Required Supplementary Information)

September 30, 2020 and 2019

DETROIT/WAYNE COUNTY PORT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

June 22, 2021

To the Board of Directors
Detroit/Wayne County Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the years ended, September 30, 2020 and 2019, as well as the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority'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 Authority'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 Authority'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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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 Authority as of September 30, 2020 and 2019, 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 10 and budgetary comparison on pages 36 through 37 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 audits 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 June 22, 2021, 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 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 Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2020 and 2019

This section of the annual report of the Detroit/Wayne County Port Authority (the “Authority”) presents management’s discussion and analysis of the Authority’s financial performance during the fiscal years that ended on September 30, 2020 and 2019. Please read it in conjunction with the Authority’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Operating funding was reduced by the State of Michigan (the “State”) to \$418,000 during the year ended September 30, 2020, down by approximately \$50,000 from the year ended September 30, 2019. City of Detroit (the “City”) funding increased by approximately \$31,000 to \$250,000 during the year ended September 30, 2020 from approximately \$219,000 during the year ended September 30, 2019. Funding from Wayne County (the “County”) was down \$41,000 to \$209,000 during the year ended September 30, 2020 from \$250,000 during the year ended September 30, 2019. The Authority continues to serve as the fiduciary for the Ferrous CAL (“Ferrous”) and City Club Apartments (“City Club”) projects.

The \$820,000 Environmental Protection Agency (“EPA”) Revolving Loan Fund (“RLF”) grant, a collaborative effort between the Authority, the Detroit Economic Growth Corporation (the “DEGC”), and the County, is still available. Along with a \$500,000 EPA RLF grant that was awarded during the year ended September 30, 2018, the Authority is currently looking for project partners to use all available funds.

Key activity for the Authority for the year ended September 30, 2020 include the following:

- The Authority’s funding from the State was reduced to \$418,000, compared to approximately \$468,000 for year ended September 30, 2019. County funding was reduced to \$209,000 from \$250,000 in the previous year. City funding was restored to \$250,000 for the year ended September 30, 2020.
- During the year ended September 30, 2020, the Authority continued to serve as a pass-through for a \$2,000,000 loan from the Michigan Department of Environmental Quality (“MDEQ”) for the Ferrous Steel project. The loan is for environmental remediation at the Ferrous Steel site in Gibraltar, Michigan. During the year ended September 30, 2020, the Authority disbursed approximately \$187,000 in loan funds for this project. The Authority also disbursed \$75,000 in MDEQ grant funds to City Club.
- Total rental income was down to approximately \$153,000 during the year ended September 30, 2020, due primarily to COVID-19 restrictions. During the fiscal year, Waterview Lofts had a total of 61 events totaling approximately \$94,000 in net revenue for the Authority. Docking revenue was down as well due to COVID-19 restrictions. The Authority expects event and docking revenue to increase in 2021 as the COVID-19 restrictions relax over the course of the year.

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

September 30, 2020 and 2019

FINANCIAL HIGHLIGHTS (CONTINUED)

- The Ambassador Port Company note payable balance increased slightly during the year as port activity revenue was down due to COVID-19. The note payable to the Ambassador Port Company was approximately \$1,990,000 as of September 30, 2019 and increased to approximately \$2,024,000 as of September 30, 2020.

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 11 and 12) 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 13, 14, 16, and 17) are considered fund financial statements. A further discussion of each type of statement follows.

Government-Wide Financial Statements

The government-wide financial statements report information about the Authority 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 Authority'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 Authority's net position and how they have changed. Net position represents the difference between the Authority's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and they represent one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority'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 Authority's funds, not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes. Most of the Authority'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.

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

September 30, 2020 and 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**Fund Financial Statements (continued)**

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 Authority'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 15 and 18 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 19, explain some of the information in the financial statements and provide more detailed data. A comparison of the Authority's general fund revenue and expenditures to its budget is provided on page 36.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects a condensed summary of the Authority's assets, liabilities, and net position as of September 30, 2020, 2019, and 2018:

Table 1
Statements of Net Position
September 30, 2020, 2019, and 2018
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Assets:			
Cash	\$ 1,688.3	\$ 2,030.2	\$ 1,624.8
Accounts receivable	221.8	134.4	169.7
Capital assets	19,954.9	20,693.5	21,413.9
Loans receivable	2,667.9	2,572.5	2,383.9
Other assets	25.8	21.5	20.9
	<u>\$ 24,558.7</u>	<u>\$ 25,452.1</u>	<u>\$ 25,613.2</u>
Total Assets			

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

September 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 1
Statements of Net Position (continued)
September 30, 2020, 2019, and 2018
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Liabilities:			
Long-term liabilities	\$ 3,834.8	\$ 3,980.6	\$ 3,796.5
Other liabilities	716.4	647.2	399.8
Total Liabilities	<u>4,551.2</u>	<u>4,627.8</u>	<u>4,196.3</u>
Net Position:			
Net investment in capital assets	15,708.7	16,481.4	17,431.7
Unrestricted	4,298.8	4,342.9	3,985.2
Total Net Position	<u>\$ 20,007.5</u>	<u>\$ 20,824.3</u>	<u>\$ 21,416.9</u>

Accounts receivable balances are reviewed for collectability and are written off as necessary. All receivables are deemed collectible within a reasonable time. There were no receivables written off during the year.

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

September 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects a condensed summary of the Authority's revenue, expenses, and changes in net position for the years ended September 30, 2020, 2019, and 2018:

Table 2
Statements of Activities
For the Years Ended September 30, 2020, 2019, and 2018
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenue:			
Program revenue:			
Contracts and grants	\$ 1,047.1	\$ 1,061.2	\$ 2,647.0
General revenue	175.7	430.6	368.9
	<u>1,222.8</u>	<u>1,491.8</u>	<u>3,015.9</u>
Expenses and Losses:			
Import and export promotional programs	<u>2,039.6</u>	<u>2,084.4</u>	<u>3,309.7</u>
	(816.8)	(592.6)	(293.8)
Net Position, Beginning of Year	<u>20,824.3</u>	<u>21,416.9</u>	<u>21,710.7</u>
Net Position, End of Year	<u>\$ 20,007.5</u>	<u>\$ 20,824.3</u>	<u>\$ 21,416.9</u>

Revenue from contracts and grants decreased for the second year in a row, due to fewer grant funds being distributed during the year. General funding also decreased by approximately six percent, due to reduced County funding by approximately 16 percent and reduced State funding by approximately 11 percent. The City restored funding by an increase of approximately 14 percent. Total rental income was down to approximately \$153,000 for the year ended September 30, 2020 from approximately \$407,000 in the previous year. The grant awards do not impact the operating revenue of the Authority. These funds are typically passed through to other organizations.

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

September 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE ORGANIZATION BY FUND

Table 3 reflects a condensed summary of the Authority’s assets, liabilities, and fund balances in the general and special revenue funds as of September 30, 2020, 2019, and 2018:

Table 3
Balance Sheets — General and Special Revenue Funds
September 30, 2020, 2019, and 2018
(in thousands of dollars)

	<u>General Fund</u>			<u>Special Revenue Fund</u>		
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
ASSETS						
Cash	\$ 642.3	\$ 963.2	\$ 521.8	\$ 1,045.9	\$ 1,066.9	\$ 1,103.0
Other assets	247.7	155.9	190.6	-0-	-0-	-0-
Total Assets	\$ 890.0	\$ 1,119.1	\$ 712.4	\$ 1,045.9	\$ 1,066.9	\$ 1,103.0
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 294.4	\$ 189.4	\$ 136.3	\$ -0-	\$ 32.1	\$ 72.2
Deferred revenue	-0-	187.5	-0-	-0-	-0-	-0-
Total Liabilities	294.4	376.9	136.3	-0-	32.1	72.2
Fund Balances:						
Nonspendable	25.8	21.5	20.9	-0-	-0-	-0-
Committed	5.0	5.0	5.0	-0-	-0-	-0-
Assigned	-0-	-0-	-0-	1,045.9	1,034.8	1,030.8
Unassigned	564.8	715.7	550.2	-0-	-0-	-0-
Total Fund Balances	595.6	742.2	576.1	1,045.9	1,034.8	1,030.8
Total Liabilities and Fund Balances	\$ 890.0	\$ 1,119.1	\$ 712.4	\$ 1,045.9	\$ 1,066.9	\$ 1,103.0

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

September 30, 2020 and 2019

FINANCIAL ANALYSIS OF THE ORGANIZATION BY FUND (CONTINUED)

Table 4 reflects a condensed summary of the Authority’s revenue, expenditures, and changes in fund balances in the general and special revenue funds for the years ended September 30, 2020, 2019, and 2018:

Table 4
Statements of Revenue, Expenditures, and Changes in Fund Balances —
General and Special Revenue Funds
For the Years Ended September 30, 2020, 2019, and 2018
(in thousands of dollars)

	General Fund			Special Revenue Fund		
	2020	2019	2018	2020	2019	2018
Revenue:						
Contracts and grants	\$ 964.1	\$ 1,050.2	\$ 841.2	\$ 83.0	\$ 11.2	\$ 1,805.8
Other revenue	175.7	430.5	368.8	-0-	-0-	-0-
Total Revenue	1,139.8	1,480.7	1,210.0	83.0	11.2	1,805.8
Expenditures:						
Current expenditures	1,167.7	1,222.8	971.0	8.2	19.9	1,477.8
Capital outlay	-0-	-0-	-0-	-0-	-0-	14.8
Total Expenditures	1,167.7	1,222.8	971.0	8.2	19.9	1,492.6
Excess (Deficiency) of Revenue over Expenditures	(27.9)	257.9	239.0	74.8	(8.7)	313.2
Other Financing Sources (Uses)	(118.7)	(91.8)	(317.5)	(63.7)	12.7	321.4
Change in Fund Balances	(146.6)	166.1	(78.5)	11.1	4.0	634.6
Fund Balances, Beginning of Year	742.2	576.1	654.6	1,034.8	1,030.8	396.2
Fund Balances, End of Year	\$ 595.6	\$ 742.2	\$ 576.1	\$ 1,045.9	\$ 1,034.8	\$ 1,030.8

ECONOMIC FACTORS

During the year ended September 30, 2020, the Authority’s operations remained stable. The Authority’s Board of Directors filled one vacancy with the appointment of Commissioner Monique Baker McCormick from the County.

The Authority experienced a decline in rental income for events and general docking due to the State’s COVID-19 pandemic restrictions, which prohibited gatherings during the spring and summer. All cruise ship and dinner vessel dockings were similarly prohibited.

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

September 30, 2020 and 2019

ECONOMIC FACTORS (CONTINUED)

The Authority continues to manage projects such as Ferrous Steel, in which the Authority is working with the Michigan Department of Environment, Great Lakes, and Energy (“EGLE”) to redevelop a site in Gibraltar, Michigan. This is a \$2,000,000 loan for environmental remediation at the Ferrous Steel facility that will be repaid through property tax recapture on the land. The Authority has also received grant funds of \$245,000 that have been pledged to the project. The Ferrous Steel facility is expected to create over 150 jobs, not including construction jobs.

The Authority was awarded a \$500,000 supplemental EPA RLF grant for brownfield remediation. The Authority disbursed these funds to City Club during the year ended September 30, 2018. During the year ended September 30, 2019, City Club received approximately \$222,000 in EGLE loan funds through the Authority, which is acting as a fiduciary.

The Authority’s manages an \$820,000 EPA RLF grant as part of a collaboration with the DEGC and the County. The Authority expects to disburse these funds during the year ending September 30, 2021.

Rental income decreased during the year due to COVID-19 restrictions, which prohibited all cruises on the Great Lakes and shut down all event venues throughout the State. The rental revenue that is shown in the financial statements occurred prior to the imposition of these restrictions.

Revenue generated from the Authority’s Master Concession Agreement (the “MCA”) with the Ambassador Port Company decreased approximately 23 percent due to the continuation of U.S. tariffs on steel and aluminum imports. Total revenue from the MCA with the Ambassador Port Company decreased to approximately \$87,000 during the year ended September 30, 2020 from approximately \$113,000 during the year ended September 30, 2019. The MCA note payable principal balance increased approximately \$34,000, due to the shortfall in revenue under the agreement. The current balance on the MCA note payable is approximately \$2,024,000.

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the Authority’s finances and to demonstrate the Authority’s accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director’s office of the Detroit/Wayne County Port Authority at 130 East Atwater, Detroit, Michigan 48226.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF NET POSITION

September 30, 2020 and 2019

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 1,688,264	\$ 2,030,142
Accounts receivable (no allowance considered necessary)	221,772	134,405
Prepaid expenses	25,862	21,460
Loans receivable (Note C)	2,667,874	2,572,534
Capital assets (Note D):		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets, net	<u>15,977,968</u>	<u>16,716,569</u>
Total Assets	<u>24,558,680</u>	<u>25,452,050</u>
Liabilities:		
Accounts payable	284,792	220,034
Accrued expenses	20,116	8,177
Deferred revenue	-0-	187,500
Long-term liabilities (Note E):		
Due or expected to be paid within one year	411,485	231,462
Due or expected to be paid in more than one year	<u>3,834,770</u>	<u>3,980,617</u>
Total Liabilities	<u>4,551,163</u>	<u>4,627,790</u>
Net Position:		
Net investment in capital assets	15,708,653	16,481,430
Unrestricted	<u>4,298,864</u>	<u>4,342,830</u>
Total Net Position	<u><u>\$ 20,007,517</u></u>	<u><u>\$ 20,824,260</u></u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2020 and 2019

	Governmental Activities	
	2020	2019
Expenses and Losses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 552,409	\$ 570,080
Contractual and professional services	284,414	205,929
Facility operations	119,894	118,149
Facility maintenance	114,344	145,944
Office expenses	70,369	110,805
Travel and meetings	3,996	21,199
Conferences, dues, and subscriptions	24,172	31,383
Marketing and promotion	1,981	20,342
Site reclamation and redevelopment	8,204	19,889
Interest expense	121,240	120,371
Depreciation (Note D)	738,601	714,496
Loss on disposition of capital assets	-0-	5,866
	2,039,624	2,084,453
Program Revenue:		
Contracts and grants (Note G)	1,047,123	1,061,252
	992,501	1,023,201
General Revenue:		
Rental income	152,915	407,280
Other income	22,843	23,319
	175,758	430,599
	(816,743)	(592,602)
Net Position, Beginning of Year	20,824,260	21,416,862
	\$ 20,007,517	\$ 20,824,260

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

September 30, 2020

(With Comparative Totals as of September 30, 2019)

	2020			Total All Funds	
	General Fund	Special Revenue Fund	Debt Service Fund	2020	2019
ASSETS					
Cash	\$ 642,334	\$ 1,045,930	\$ -0-	\$ 1,688,264	\$ 2,030,142
Accounts receivable (no allowance considered necessary)	221,772			221,772	134,405
Prepaid expenditures	25,862			25,862	21,460
Total Assets	\$ 889,968	\$ 1,045,930	\$ -0-	\$ 1,935,898	\$ 2,186,007
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 284,792	\$ -0-	\$ -0-	\$ 284,792	\$ 220,034
Accrued expenses	9,533			9,533	1,469
Deferred revenue				-0-	187,500
Total Liabilities	294,325	-0-	-0-	294,325	409,003
Fund Balances:					
Nonspendable	25,862			25,862	21,460
Committed	5,000			5,000	5,000
Assigned		1,045,930		1,045,930	1,034,787
Unassigned	564,781			564,781	715,757
Total Fund Balances	595,643	1,045,930	-0-	1,641,573	1,777,004
Total Liabilities and Fund Balances	\$ 889,968	\$ 1,045,930	\$ -0-	\$ 1,935,898	\$ 2,186,007

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

September 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
ASSETS				
Cash	\$ 963,196	\$ 1,066,946	\$ -0-	\$ 2,030,142
Accounts receivable (no allowance considered necessary)	134,405			134,405
Prepaid expenditures	21,460			21,460
Total Assets	\$ 1,119,061	\$ 1,066,946	\$ -0-	\$ 2,186,007
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 187,875	\$ 32,159	\$ -0-	\$ 220,034
Accrued expenses	1,469			1,469
Deferred revenue	187,500			187,500
Total Liabilities	376,844	32,159	-0-	409,003
Fund Balances:				
Nonspendable	21,460			21,460
Committed	5,000			5,000
Assigned		1,034,787		1,034,787
Unassigned	715,757			715,757
Total Fund Balances	742,217	1,034,787	-0-	1,777,004
Total Liabilities and Fund Balances	\$ 1,119,061	\$ 1,066,946	\$ -0-	\$ 2,186,007

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Total Fund Balances, Governmental Funds	\$ 1,641,573	\$ 1,777,004
<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 assets are not due and receivable in the current period and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Loans receivable	2,667,874	2,572,534
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets:		
Cost	22,589,686	22,589,686
Less: Accumulated depreciation	(6,611,718)	(5,873,117)
<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>		
Loans payable	(4,246,255)	(4,212,079)
Accrued vacation pay	(10,583)	(6,708)
	<u> </u>	<u> </u>
Total Net Position, Governmental Activities	<u><u>\$ 20,007,517</u></u>	<u><u>\$ 20,824,260</u></u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

**For the Year Ended September 30, 2020
(With Comparative Totals for the Year Ended September 30, 2019)**

	2020			Total All Funds	
	General Fund	Special Revenue Fund	Debt Service Fund	2020	2019
Revenue:					
Contracts and grants (Note G)	\$ 964,064	\$ 83,059	\$ -0-	\$ 1,047,123	\$ 1,061,252
Rental income	152,915			152,915	407,280
Other income	22,843			22,843	23,319
Total Revenue	1,139,822	83,059	-0-	1,222,881	1,491,851
Expenditures:					
Current:					
Salaries, wages, and employee benefits	548,534			548,534	569,003
Contractual and professional services	284,414			284,414	205,929
Facility operations	119,894			119,894	118,149
Facility maintenance	114,344			114,344	145,944
Office expenses	70,369			70,369	110,805
Travel and meetings	3,996			3,996	21,199
Conferences, dues, and subscriptions	24,172			24,172	31,383
Marketing and promotion	1,981			1,981	20,342
Site reclamation and redevelopment		8,204		8,204	19,889
Interest expense			121,240	121,240	120,371
Debt service (Note E)				-0-	17,862
Total Expenditures	1,167,704	8,204	121,240	1,297,148	1,380,876
Excess (Deficiency) of Revenue over Expenditures	(27,882)	74,855	(121,240)	(74,267)	110,975
Other Financing Sources (Uses):					
Interfund transfers	(118,692)	31,628	87,064	-0-	-0-
Issuance of loan receivable proceeds (Note C)		(186,632)		(186,632)	(279,547)
Repayment of loan receivable proceeds (Note C)		91,292		91,292	90,891
Issuance of loan payable proceeds (Note E)				-0-	222,469
Other additions to loans payable (Note E)			34,176	34,176	25,310
Total Other Financing Sources (Uses)	(118,692)	(63,712)	121,240	(61,164)	59,123
Change in Fund Balances	(146,574)	11,143	-0-	(135,431)	170,098
Fund Balances, Beginning of Year	742,217	1,034,787	-0-	1,777,004	1,606,906
Fund Balances, End of Year	\$ 595,643	\$ 1,045,930	\$ -0-	\$ 1,641,573	\$ 1,777,004

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Year Ended September 30, 2019

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
Revenue:				
Contracts and grants (Note G)	\$ 1,050,096	\$ 11,156	\$ -0-	\$ 1,061,252
Rental income	407,280			407,280
Other income	23,319			23,319
Total Revenue	1,480,695	11,156	-0-	1,491,851
Expenditures:				
Current:				
Salaries, wages, and employee benefits	569,003			569,003
Contractual and professional services	205,929			205,929
Facility operations	118,149			118,149
Facility maintenance	145,944			145,944
Office expenses	110,805			110,805
Travel and meetings	21,199			21,199
Conferences, dues, and subscriptions	31,383			31,383
Marketing and promotion	20,342			20,342
Site reclamation and redevelopment		19,889		19,889
Interest expense			120,371	120,371
Debt service (Note E)			17,862	17,862
Total Expenditures	1,222,754	19,889	138,233	1,380,876
Excess (Deficiency) of Revenue over Expenditures	257,941	(8,733)	(138,233)	110,975
Other Financing Sources (Uses):				
Interfund transfers	(91,782)	(21,141)	112,923	-0-
Issuance of loan receivable proceeds (Note C)		(279,547)		(279,547)
Repayment of loan receivable proceeds (Note C)		90,891		90,891
Issuance of loan payable proceeds (Note E)		222,469		222,469
Other additions to loans payable (Note E)			25,310	25,310
Total Other Financing Sources (Uses)	(91,782)	12,672	138,233	59,123
Change in Fund Balances	166,159	3,939	-0-	170,098
Fund Balances, Beginning of Year	576,058	1,030,848	-0-	1,606,906
Fund Balances, End of Year	\$ 742,217	\$ 1,034,787	\$ -0-	\$ 1,777,004

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in Fund Balances, Governmental Funds	\$ (135,431)	\$ 170,098
<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>Proceeds issued on loans receivable are reported as a financing source, and repayment of loans receivable is reported as a financing use, in governmental funds, but the additions and reductions increase and decrease, respectively, long-term assets in the statements of net position. During the years presented, these amounts are as follows:</p>		
Issuance of loan receivable proceeds	186,632	279,547
Repayment of loan receivable proceeds	(91,292)	(90,891)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense, and dispositions of capital assets are reflected as gains or losses. During the years presented, these amounts are as follows:</p>		
Depreciation expense	(738,601)	(714,496)
Loss on disposition of capital assets	-0-	(5,866)
<p>Certain expenses and losses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. During the years presented these amounts are as follows:</p>		
Accrued vacation pay, beginning of year	6,708	5,631
Less: Accrued vacation pay, end of year	(10,583)	(6,708)
<p>Proceeds issued on, and other additions to, long-term debt are reported as a financing source, and repayment of, and other reductions of, long-term debt are reported as an expenditure in governmental funds, but the additions and reductions increase and decrease, respectively, long-term liabilities in the statements of net position. During the years presented, these amounts are as follows:</p>		
Issuance of loan payable proceeds	-0-	(222,469)
Other additions to loans payable	(34,176)	(25,310)
Reductions to loans payable	-0-	17,862
Change in Net Position, Governmental Activities	<u>\$ (816,743)</u>	<u>\$ (592,602)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 and 2019

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

Nature of Activities and Purpose

The Detroit/Wayne County Port Authority (the “Authority”) was created by the Port Authority Act of 1978. The legislation enables the Authority to enter into contracts for the acquisition, improvement, enlargement, or extension of port facilities. The mission of the Authority is to plan, develop, and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and southeast Michigan as an import and export freight transportation and distribution hub for the United States, Canada, and the world marketplace.

For financial reporting purposes, the Authority is not a component unit of any other governmental entity. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

The financial statements of the Authority 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 fund balances for governmental funds.

Government-Wide Financial Statements

The government-wide financial statements report information about all of the Authority’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 Authority that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the Authority 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.

Fund Financial Statements

For purposes of the fund financial statements, the accounts of the Authority 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 balances, revenue, and expenditures. The various funds are summarized by type in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

The following funds, all of which are considered major funds, are used by the Authority:

General Fund

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

Special Revenue Fund

The special revenue fund is used to account for revenue received by the Authority that is dedicated to special site reclamation and redevelopment projects. This fund is not legally required to adopt a budget.

Debt Service Fund

The debt service fund accounts for the servicing of general long-term obligations not being financed by proprietary or similar trust funds.

The Authority'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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

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 Authority 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 Authority 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. Assigned fund balances are typically established through funding agreements or 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. Contracts and grants provided to support program activities, as well as project development and administration fees, are classified as program revenue. Administrative, investment, event, and other income not directly associated with program services provided are classified as general revenue.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

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.

Capital Assets

Capital assets are recorded at historical cost. The Authority capitalizes all expenditures for buildings, building improvements, and land improvements in excess of \$5,000, as well as all expenditures for furniture, fixtures, and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

Pollution Remediation Obligations

Pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

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

Pollution Remediation Obligations (continued)

Upon the occurrence of one of five specified events, the Authority estimates the components of expected pollution remediation outlays to determine whether outlays for these components should be accrued as a liability in the government-wide financial statements at current value or, under certain circumstances, whether these outlays should be capitalized in the government-wide financial statements. No pollution remediation obligations have been recorded as of September 30, 2020 and 2019 because none of the five specified events have occurred.

Interfund Transactions and Eliminations

Interfund transactions are recorded as a payable by the receiving fund and as a receivable by the advancing fund in the fund financial statements. All interfund transactions and balances have been eliminated in the accompanying financial statements.

Fair Value Measurements

The Authority 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 Authority utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Authority 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 Authority 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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

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

Fair Value Measurements (continued)

- 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

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.

As of September 30, 2020 and 2019, the Authority does not have any financial assets or liabilities subject to being classified in any of the above categories.

Concentration of Credit Risk

During the years ended September 30, 2020 and 2019, the Authority made purchases from one vendor and two vendors, respectively, of \$186,632 and \$197,193, respectively, or approximately 24 and 21 percent, respectively, of total purchases. The total amounts due to these vendors was \$24,500 and \$32,158 as of September 30, 2020 and 2019, respectively.

Compensated Absences

Vacation time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over a maximum of five days. Upon termination, employees are entitled to their unused accumulated vacation time.

Sick time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over all sick time. Upon termination, employees forfeit their unused accumulated sick time.

In the fund financial statements, only the matured liability for compensated absences is recorded. The total liability for vacation pay is reported in the government-wide financial statements.

NOTE B — 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE B — CASH DEPOSITS (CONTINUED)

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

As of September 30, 2020 and 2019, the Authority's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2020</u>	<u>2019</u>
Carrying amount of deposits	\$ 1,688,264	\$ 2,030,142
Total bank balances	<u>\$ 1,687,434</u>	<u>\$ 2,042,320</u>
Uninsured and uncollateralized bank balances	<u>\$ 1,187,434</u>	<u>\$ 1,542,320</u>

NOTE C — LOANS RECEIVABLE

The Authority's portfolio of loans receivable as of September 30, 2020 and 2019 is as follows:

Kirco CH Associates, Inc.

The Authority has entered into a grant program agreement with the U.S. Environmental Protection Agency ("EPA"). The purpose of the program is to issue revolving loans for Brownfield zone cleanup projects. On November 4, 2013, the Authority executed an agreement with Kirco CH Associates, Inc. ("Kirco") to borrow funds under the program and to perform site development and cleanup work in accordance with the terms of the program and the agreement with the Authority. Funds totaling \$915,000 have been disbursed. The note bears interest at a rate of 0.44 percent and is payable in 10 equal annual installments.

Ferrous CAL Company

The Authority has entered into a loan agreement with the Michigan Department of Environmental Quality ("MDEQ"), as discussed in Note E. The purpose of the loan is to provide funding for remediation and redevelopment of Brownfield projects. On September 16, 2015, the Authority executed a loan agreement with Ferrous CAL Company ("Ferrous") to borrow funds for the remediation and redevelopment of a former steel mill in Gibraltar, Michigan. The note bears interest rate of 1.5 percent and is payable in 10 annual installments that were scheduled to begin on September 16, 2020. However, the first installment was delayed due to unfavorable economic conditions. The Authority is currently renegotiating the payment terms.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE C — LOANS RECEIVABLE (CONTINUED)**City Club Apartments**

The Authority has entered into two separate loan agreements with the MDEQ, which received funding from the EPA, as discussed in Note E. The purpose of these loans is to provide funding to facilitate the redevelopment of the former Statler Hotel, located in the center of downtown Detroit. On September 14, 2017, the Authority executed two loan agreements with City Club Apartments to borrow funds for the redevelopment of the aforementioned site. \$500,000 was disbursed to City Club Apartments during the year ended September 30, 2018. The note bears interest at a rate of 0.5 percent and is payable in five annual installments of \$100,000, that were set to begin on September 14, 2020. However, the first installment was delayed due to unfavorable economic conditions. The Authority is currently renegotiating the payment terms. On October 18, 2019, the Authority disbursed a portion of the second loan in the amount of \$222,469. The note bears interest at a rate of 1.5 percent and is payable in 11 annual installments of principal and interest, beginning on September 15, 2022.

Loans receivable activity for the years ended September 30, 2020 and 2019 is as follows:

	<u>Kirco</u>	<u>Ferrous</u>	<u>City Club Apartments</u>	<u>Total</u>
Balance, October 1, 2018	\$ 644,714	\$ 1,239,164	\$ 500,000	\$ 2,383,878
Additions		57,078	222,469	279,547
Less: Repayments	(90,891)			(90,891)
Balance, September 30, 2019	553,823	1,296,242	722,469	2,572,534
Additions		186,632		186,632
Less: Repayments	(91,292)			(91,292)
Balance, September 30, 2020	\$ 462,531	\$ 1,482,874	\$ 722,469	\$ 2,667,874
Amounts Due Within One Year:				
September 30, 2019	\$ 91,292	\$ 186,780	\$ 99,003	\$ 377,075
September 30, 2020	\$ 91,694	\$ 376,381	\$ 198,502	\$ 666,577

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE D — CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended September 30, 2020 and 2019 is as follows:

	<u>Land</u>
Balance, October 1, 2018	\$ 3,976,940
Balance, September 30, 2019	<u>3,976,940</u>
Balance, September 30, 2020	<u>\$ 3,976,940</u>

Depreciable capital asset activity for the years ended September 30, 2020 and 2019 is as follows:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost:				
Balance, October 1, 2018	\$ 22,311,818	\$ 61,560	\$ 226,973	\$ 22,600,351
Less: Dispositions	<u>(10,665)</u>			<u>(10,665)</u>
Balance, September 30, 2019	<u>22,301,153</u>	<u>61,560</u>	<u>226,973</u>	<u>22,589,686</u>
Balance, September 30, 2020	<u>\$ 22,301,153</u>	<u>\$ 61,560</u>	<u>\$ 226,973</u>	<u>\$ 22,589,686</u>
Accumulated Depreciation:				
Balance, October 1, 2018	\$ 4,887,440	\$ 51,590	\$ 224,390	\$ 5,163,420
Depreciation expense	708,026	6,470		714,496
Less: Dispositions	<u>(4,799)</u>			<u>(4,799)</u>
Balance, September 30, 2019	<u>5,590,667</u>	<u>58,060</u>	<u>224,390</u>	<u>5,873,117</u>
Depreciation expense	<u>734,007</u>	<u>3,500</u>	<u>1,094</u>	<u>738,601</u>
Balance, September 30, 2020	<u>\$ 6,324,674</u>	<u>\$ 61,560</u>	<u>\$ 225,484</u>	<u>\$ 6,611,718</u>
Net Depreciable Capital Assets:				
Balance, September 30, 2019	\$ 16,710,486	\$ 3,500	\$ 2,583	\$ 16,716,569
Balance, September 30, 2020	<u>\$ 15,976,479</u>	<u>\$ -0-</u>	<u>\$ 1,489</u>	<u>\$ 15,977,968</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE E — LONG-TERM LIABILITIES

Long-term liabilities as of September 30, 2020 and 2019 consist of the following:

Ambassador Port Company

The Authority entered into a Master Concession Agreement with the Ambassador Port Company (“Ambassador”), which gives Ambassador the right to operate the Authority’s port facilities. In connection with the Master Concession Agreement, the Authority borrowed \$2,103,000 from Ambassador. The related note agreement includes a provision for the possible advance of future amounts by Ambassador for the purpose of paying certain operating and expansion costs of the facilities associated with the Master Concession Agreement. The note bears interest at a rate defined in the Master Concession Agreement as 300 basis points over the yield to maturity of five-year United States Treasury notes, as published in a respected financial journal. According to the agreement, the interest rate should not be less than six percent; the rate that has been charged as of September 30, 2020 and 2019 was six percent. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement.

Michigan Department of Environmental Quality

The Authority entered into the following two \$1,000,000 loan agreements with the MDEQ on August 17, 2015:

- Brownfield Redevelopment Loan Contract (“Brownfield Loan”)
- Revitalization Revolving Loan Contract (“Revitalization Loan”)

As discussed in Note C, the purpose of these loans is a remediation and redevelopment project of a former steel mill in Gibraltar, Michigan. The Brownfield Loan is payable in 10 annual installment payments of principal and interest of \$97,826, which were scheduled to begin in August 2020. However, the first installment was delayed due to the COVID-19 pandemic. The Revitalization Loan is payable in 10 annual installment payments of principal and interest of \$97,826, beginning in March 2021. Each note bears interest at a rate of 1.5 percent. The MDEQ has disbursed all of the authorized amount of each loan to the Authority for use on the project.

As discussed in Note C, the Authority also entered into a separate Brownfield Redevelopment Loan contract with the MDEQ on July 5, 2017. As of September 30, 2020 and 2019, the MDEQ has disbursed \$222,469 of the authorized amount of \$250,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE E — LONG-TERM LIABILITIES (CONTINUED)**Continental Catering**

The Authority entered into a loan agreement with Continental Catering (“Continental”) on November 11, 2013 in relation to a reimbursement note for a build-out of the facilities utilized for special events at the Authority. The loan was for \$75,000 at seven percent interest per annum, with a maturity date of November 11, 2015. All accrued interest and outstanding principal were due and payable at maturity.

Payments on the Ambassador and Continental loans are made primarily from the general fund. Payments on the MDEQ loans are anticipated to be made primarily from the special revenue fund.

Long-term liability activity for the years ended September 30, 2020 and 2019 is as follows:

	<u>Ambassador</u>	<u>MDEQ</u>	<u>Continental</u>	<u>Total</u>
Balance, October 1, 2018	\$ 1,982,120	\$ 2,000,000	\$ 42	\$ 3,982,162
Additions	25,310	222,469		247,779
Less: Repayments	(17,862)			(17,862)
Balance, September 30, 2019	1,989,568	2,222,469	42	4,212,079
Additions	34,176			34,176
Balance, September 30, 2020	\$ 2,023,744	\$ 2,222,469	\$ 42	\$ 4,246,255
Amounts Due Within One Year:				
September 30, 2019	\$ 133,594	\$ 97,826	\$ 42	\$ 231,462
September 30, 2020	\$ 131,497	\$ 279,946	\$ 42	\$ 411,485

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE E — LONG-TERM LIABILITIES (CONTINUED)

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending September 30:			
2021	\$ 411,485	\$ 132,036	\$ 543,521
2022	330,480	139,841	470,321
2023	341,912	128,409	470,321
2024	353,910	116,411	470,321
2025	366,510	103,811	470,321
2026-2030	2,324,533	301,384	2,625,917
2031-2033	117,425	2,209	119,634
	<u>\$ 4,246,255</u>	<u>\$ 924,101</u>	<u>\$ 5,170,356</u>

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year on the Ambassador note payable will be six percent, which is equal to the effective interest rate as of September 30, 2020, and that the revenue received by the Authority under the relevant sections of the Master Concession Agreement will be \$250,000 each year. Due to the nature of these assumptions and the uncertainties inherent in setting them, it is at least reasonably possible that changes in the near term to these assumptions would be material to the preceding schedule.

NOTE F — LEASES

The Authority leases office equipment under operating leases that expire at various dates through 2021. The following is a schedule by year of future minimum lease payments under these leases as of September 30, 2020:

For the year ending September 30, 2021	<u>\$ 510</u>
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Rental expense under operating leases for the years ended September 30, 2020 and 2019 was \$3,467 per year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE G — CONTRACTS AND GRANTS

The Authority has entered into contracts with the following governmental entities from which it receives operating funds:

State of Michigan

The Authority's contract with the Michigan Department of Transportation is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be determined annually.

County of Wayne

The Authority receives a line-item appropriation in the budget of the County of Wayne. The amount of funding for future years under the appropriation will be determined annually.

City of Detroit

The Authority's contract with the City of Detroit is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be determined annually.

The Authority has also obtained the following grants:

Michigan Department of Environmental Quality Grants

The Authority received a \$245,000 grant from the MDEQ in connection with the loan agreement discussed in Note E. The Authority also received a \$675,000 grant from the MDEQ in connection with the City Club Apartments loan agreement.

Environmental Protection Agency Revolving Loan Fund Grants

The Authority received a \$1,000,000 grant from the EPA Revolving Loan Fund for environmental site investigations and clean-ups within Wayne County. The Authority issued the funds in 2014 and has received an additional \$500,000 in supplemental funding from the EPA.

The Authority also received a second grant of \$820,000 from the EPA Revolving Loan Fund during the year ended September 30, 2017. As of September 30, 2020 and 2019, \$500,000 has been issued from this grant.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE G — CONTRACTS AND GRANTS (CONTINUED)

Reimbursable costs incurred under the above grants have been recorded as grant revenue in the accompanying financial statements.

Ambassador Port Revenue

The Authority entered into a Master Concession Agreement with Ambassador. The Authority's main purpose for entering into this agreement is to cause a dormant port facility to resume operations. The parties agreed that the Authority is to be compensated for out-of-pocket and administrative costs that the Authority incurs. According to the Master Concession Agreement, Ambassador is to pay the Authority 2.5 percent of gross receipts received in each quarter, less all outstanding interest that accrued during that quarter, any default interest due, and any interest accrued during prior quarters that was added to the principal amount of the promissory note. These payments from Ambassador are recorded as contract revenue.

Total contract and grant revenue for the years ended September 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
General fund:		
State of Michigan	\$ 418,000	\$ 468,489
County of Wayne	209,000	250,000
City of Detroit	250,000	218,684
Ambassador port revenue	<u>87,064</u>	<u>112,923</u>
Total General Fund		
Contracts and Grants	<u>964,064</u>	<u>1,050,096</u>
Special revenue fund:		
MDEQ grants	75,000	-0-
EPA Revolving Loan Fund grants	<u>8,059</u>	<u>11,156</u>
Total Special Revenue Fund		
Contracts and Grants	<u>83,059</u>	<u>11,156</u>
	<u><u>\$ 1,047,123</u></u>	<u><u>\$ 1,061,252</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE H — RISK MANAGEMENT

Given the normal activities of the Authority and the relatively low rate of claims and lawsuits experienced in the Authority's past history, the risk involved in the Authority's operations is minimal and, in management's opinion, is sufficiently covered by insurance policies.

NOTE I — 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.

During the year ended September 30, 2020, the Authority incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contractual and professional services	\$ 166,000	\$ 284,414	\$ (118,414)
Facility operations	113,000	119,894	(6,894)
Conferences, dues, and subscriptions	23,000	24,172	(1,172)

Revenue was sufficient to cover the excess expenditures.

NOTE J — 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 spreads 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2020 and 2019

NOTE J — CONTINGENCIES (CONTINUED)

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 Authority's net position, liquidity, and future operations. The Authority's operations are heavily dependent on contracts and grants from federal, state, and local governments, which may decrease or may not be available, depending on appropriations. In addition, the Authority receives a significant amount of revenue from rental income, which may continue to decrease. The COVID-19 outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global economic slowdown. As such, this may hinder the ability for the Authority to meet the needs of its constituents.

Although the Authority cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material effect on the Authority's future operations, net position, and liquidity during the year ending September 30, 2021.

NOTE K — NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards ("SGAS") No. 87, *Leases*, in June 2017. SGAS No. 87 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under SGAS No. 87 will result in all leases with a lease term of more than 12 months being accounted for in substantially the same manner as the existing accounting for capital leases. SGAS No. 87 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. SGAS No. 87 applies to the Authority's financial statements for the year ending September 30, 2022, with earlier implementation permitted. The Authority's management has not determined the impact on its financial statements as a result of implementing SGAS No. 87.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2020 and 2019

	2020				2019			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Contracts and grants	\$ 867,000	\$ 877,000	\$ 964,064	\$ 87,064	\$ 876,245	\$ 936,445	\$ 1,050,096	\$ 113,651
Rental income	340,000	340,000	152,915	(187,085)	275,000	275,000	407,280	132,280
Other income	21,000	21,000	22,843	1,843	17,500	17,500	23,319	5,819
Total Revenue	1,228,000	1,238,000	1,139,822	(98,178)	1,168,745	1,228,945	1,480,695	251,750
Expenditures:								
Current:								
Salaries, wages, and employee benefits	680,250	680,250	548,534	131,716	507,245	560,760	569,003	(8,243)
Contractual and professional services	166,000	166,000	284,414	(118,414)	195,000	190,789	205,929	(15,140)
Facility operations	113,000	113,000	119,894	(6,894)	100,000	112,950	118,149	(5,199)
Facility maintenance	150,000	160,000	114,344	45,656	190,000	171,979	145,944	26,035
Office expenses	74,750	74,750	70,369	4,381	78,500	80,617	110,805	(30,188)
Travel and meetings	11,000	11,000	3,996	7,004	11,000	15,701	21,199	(5,498)
Conferences, dues, and subscriptions	23,000	23,000	24,172	(1,172)	30,000	36,732	31,383	5,349
Marketing and promotion	5,000	5,000	1,981	3,019	32,000	20,342	20,342	-0-
Economic development	5,000	5,000		5,000	25,000	39,075		39,075
Total Expenditures	1,228,000	1,238,000	1,167,704	70,296	1,168,745	1,228,945	1,222,754	6,191
Excess (Deficiency) of Revenue over Expenditures	-0-	-0-	(27,882)	(27,882)	-0-	-0-	257,941	257,941
Other Financing Sources (Uses):								
Interfund transfers			(118,692)	(118,692)			(91,782)	(91,782)
Change in Fund Balance	\$ -0-	\$ -0-	\$ (146,574)	\$ (146,574)	\$ -0-	\$ -0-	\$ 166,159	\$ 166,159

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

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2020 and 2019

NOTE A — BUDGETS AND BUDGETARY ACCOUNTING

The Detroit/Wayne County Port Authority (the “Authority”) establishes an administrative 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 to and approved by the Authority’s Board of Directors. The original budget was amended made during the year. Appropriations are authorized by the Authority’s management. Unexpended appropriations lapse at the end of the fiscal year.