

DETROIT/WAYNE COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
(With Required Supplementary Information)

September 30, 2019 and 2018



DETROIT/WAYNE COUNTY PORT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

June 24, 2020

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, 2019 and 2018, 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, 2019 and 2018, 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.

Adoption of New Accounting Pronouncements

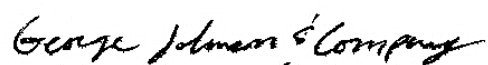
As discussed in Note A, effective October 1, 2018, the Authority has adopted the disclosure provisions contained in Statement of Governmental Standards No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinions are not modified with respect to this matter.

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 38 through 39 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 24, 2020, 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, 2019 and 2018

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, 2019 and 2018. Please read it in conjunction with the Authority’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Operating funding was restored by the State of Michigan (the “State”) to approximately \$468,000 during the year ended September 30, 2019, increasing from \$200,000 during the year ended September 30, 2018. City of Detroit (the “City”) funding decreased slightly from approximately \$232,000 during the year ended September 30, 2018 to approximately \$218,000 during the year ended September 30, 2019. Funding from Wayne County (the “County”) was unchanged. The Authority continues to serve as the fiduciary for the Ferrous CAL Company (“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 successes for the Authority for the year ended September 30, 2019 include the following:

- The Authority’s funding from the State was restored to \$468,489, compared to \$200,000 for the year ended September 30, 2018. County funding remained consistent. City funding decreased slightly; however, the City has committed to providing funding in the amount of \$250,000 for the year ending September 30, 2020.
- During the year ended September 30, 2018, 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, 2019, the Authority disbursed \$57,078 in loan funds for this project. The Authority also disbursed \$222,469 in MDEQ loan funds to City Club, with \$27,531 remaining for distribution.

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

September 30, 2019 and 2018

FINANCIAL HIGHLIGHTS (CONTINUED)

- Total rental income increased from \$351,373 during the year ended September 30, 2018 to \$407,280 during the year ended September 30, 2019, an increase of approximately 16 percent. Event rental income increased from \$256,181 during the year ended September 30, 2018 to \$280,386 during the year ended September 30, 2019, an increase of approximately nine percent. Docking income increased from \$64,841 during the year ended September 30, 2018 to \$94,293 during the year ended September 30, 2019, an increase of approximately 45 percent. The increase in docking income was due to a rise in cruise ship fees. During the year, the Authority had visits from the *Victory I*, *Victory II*, *Hamburg*, and *Le Champlain* cruise ships. The Authority expects docking income to increase in the coming year.
- The Ambassador Port Company note payable balance increased slightly during the year. The total note payable balance as of September 30, 2019 is down five percent from the original note payable balance of \$2,103,000 as of September 30, 2005.

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.

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

September 30, 2019 and 2018

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**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. 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 38.

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, 2019, 2018, and 2017:

Table 1
Statements of Net Position
September 30, 2019, 2018, and 2017
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Assets:			
Cash	\$ 2,030.2	\$ 1,624.8	\$ 1,011.6
Accounts receivable	134.4	169.7	128.6
Capital assets	20,693.5	21,413.9	22,141.2
Loans receivable	2,572.5	2,383.9	1,646.3
Other assets	21.5	20.9	20.7
	<u>\$ 25,452.1</u>	<u>\$ 25,613.2</u>	<u>\$ 24,948.4</u>
Total Assets			

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

September 30, 2019 and 2018

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 1
Statements of Net Position (continued)
September 30, 2019, 2018, and 2017
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Liabilities:			
Long-term liabilities	\$ 3,980.6	\$ 3,796.5	\$ 2,944.2
Other liabilities	647.2	399.8	293.5
Total Liabilities	<u>4,627.8</u>	<u>4,196.3</u>	<u>3,237.7</u>
Net Position:			
Net investment in capital assets	16,481.4	17,431.7	19,022.3
Unrestricted	4,342.9	3,985.2	2,688.4
Total Net Position	<u>\$ 20,824.3</u>	<u>\$ 21,416.9</u>	<u>\$ 21,710.7</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, 2019 and 2018

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, 2019, 2018, and 2017:

Table 2
Statements of Activities
For the Years Ended September 30, 2019, 2018, and 2017
(in thousands of dollars)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Revenue:			
Program revenue:			
Contracts and grants	\$ 1,061.2	\$ 2,647.0	\$ 1,290.6
General revenue	430.6	368.9	333.4
	<u>1,491.8</u>	<u>3,015.9</u>	<u>1,624.0</u>
Expenses and Losses:			
Import and export promotional programs	<u>2,084.4</u>	<u>3,309.7</u>	<u>2,115.4</u>
	(592.6)	(293.8)	(491.4)
Net Position, Beginning of Year	<u>21,416.9</u>	<u>21,710.7</u>	<u>22,202.1</u>
Net Position, End of Year	<u><u>\$ 20,824.3</u></u>	<u><u>\$ 21,416.9</u></u>	<u><u>\$ 21,710.7</u></u>

Revenue from contracts and grants decreased for the year due to fewer grant funds being distributed during the year. General revenue increased from the previous year due to increases in State funding, rental income, and proceeds from grant administration and management. Total rental income increased to approximately \$407,000 during the year ended September 30, 2019 from approximately \$351,000 during the year ended September 30, 2018, an increase of approximately 16 percent. 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, 2019 and 2018

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, 2019, 2018, and 2017:

Table 3
Balance Sheets — General and Special Revenue Funds
September 30, 2019, 2018, and 2017
(in thousands of dollars)

	<u>General Fund</u>			<u>Special Revenue Fund</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS						
Cash	\$ 963.2	\$ 521.8	\$ 585.4	\$ 1,066.9	\$ 1,103.0	\$ 426.2
Other assets	155.9	190.6	148.3	-0-	-0-	1.0
Total Assets	\$ 1,119.1	\$ 712.4	\$ 733.7	\$ 1,066.9	\$ 1,103.0	\$ 427.2
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued expenses	\$ 189.4	\$ 136.3	\$ 79.1	\$ 32.1	\$ 72.2	\$ 31.0
Deferred revenue	187.5	-0-	-0-	-0-	-0-	-0-
Total Liabilities	376.9	136.3	79.1	32.1	72.2	31.0
Fund Balances:						
Nonspendable	21.5	20.9	20.6	-0-	-0-	-0-
Committed	5.0	5.0	5.0	-0-	-0-	-0-
Assigned	-0-	-0-	-0-	1,034.8	1,030.8	396.2
Unassigned	715.7	550.2	629.0	-0-	-0-	-0-
Total Fund Balances	742.2	576.1	654.6	1,034.8	1,030.8	396.2
Total Liabilities and Fund Balances	\$ 1,119.1	\$ 712.4	\$ 733.7	\$ 1,066.9	\$ 1,103.0	\$ 427.2

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

September 30, 2019 and 2018

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, 2019, 2018, and 2017:

Table 4
Statements of Revenue, Expenditures, and Changes in Fund Balances —
General and Special Revenue Funds
For the Years Ended September 30, 2019, 2018, and 2017
(in thousands of dollars)

	General Fund			Special Revenue Fund		
	2019	2018	2017	2019	2018	2017
Revenue:						
Contracts and grants	\$ 1,050.2	\$ 841.2	\$ 1,155.4	\$ 11.2	\$ 1,805.8	\$ 135.2
Other revenue	430.5	368.8	333.4	-0-	-0-	-0-
Total Revenue	1,480.7	1,210.0	1,488.8	11.2	1,805.8	135.2
Expenditures:						
Current expenditures	1,222.8	971.0	1,101.3	19.9	1,477.8	142.8
Capital outlay	-0-	-0-	-0-	-0-	14.8	81.3
Total Expenditures	1,222.8	971.0	1,101.3	19.9	1,492.6	224.1
Excess (Deficiency) of Revenue over Expenditures	257.9	239.0	387.5	(8.7)	313.2	(88.9)
Other Financing Sources (Uses)	(91.8)	(317.5)	(183.6)	12.7	321.4	(466.5)
Change in Fund Balances	166.1	(78.5)	203.9	4.0	634.6	(555.4)
Fund Balances, Beginning of Year	576.1	654.6	450.7	1,030.8	396.2	951.6
Fund Balances, End of Year	\$ 742.2	\$ 576.1	\$ 654.6	\$ 1,034.8	\$ 1,030.8	\$ 396.2

ECONOMIC FACTORS

During the year ended September 30, 2019, the Authority's operations remained stable. The Authority's Board of Directors filled two vacancies with the appointments of Andrew Doctoroff from the State and Bryan Barnhill from the City.

The Authority has experienced an increase in rental income due to event rentals and an increase in cruise ship dockings.

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

September 30, 2019 and 2018

ECONOMIC FACTORS (CONTINUED)

The Authority continues to manage projects such as Ferrous Steel, in which the Authority is working with the MDEQ 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 to assist with the project. The project 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 \$222,469 in MDEQ loan funds through the Authority, which is acting as a fiduciary.

The Authority maintains a \$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, 2020.

Rental income increased during the year due to increases in docking fees. Docking income grew from approximately \$65,000 during the year ended September 30, 2018 to approximately \$94,000 during the year ended September 30, 2019, an increase of approximately 45 percent for the year. This was due to more vessel fees from the *Victory I*, *Victory II*, and *Hamburg* cruise ships, as well as a new cruise ship, the *Le Champlain*. During the year ended September 30, 2019, there were an estimated 30 cruise ship dockings and 50 dinner yacht visits.

Revenue generated from the Authority’s Master Concession Agreement (the “MCA”) with the Ambassador Port Company decreased slightly due to Nicholson Terminal and Dock losing approximately 40 percent of their revenue as a result of the U.S. tariffs on steel and aluminum. Total revenue from the MCA with the Ambassador Port Company decreased to \$112,923 during the year ended September 30, 2019 from \$158,495 during the year ended September 30, 2018. During the year ended September 30, 2019, the MCA note payable increased by approximately \$7,000. The original note in 2005 was \$2,103,000; after 14 years and \$2,018,739 in payments, the current balance remains \$1,989,568.

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, 2019 and 2018

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Assets:		
Cash	\$ 2,030,142	\$ 1,624,802
Accounts receivable (no allowance considered necessary)	134,405	169,733
Prepaid expenses	21,460	20,887
Loans receivable (Note C)	2,572,534	2,383,878
Capital assets (Note D):		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets, net	<u>16,716,569</u>	<u>17,436,931</u>
Total Assets	<u>25,452,050</u>	<u>25,613,171</u>
Liabilities:		
Accounts payable	220,034	208,516
Accrued expenses	8,177	5,631
Deferred revenue	187,500	-0-
Long-term liabilities (Note E):		
Due or expected to be paid within one year	231,462	185,634
Due or expected to be paid in more than one year	<u>3,980,617</u>	<u>3,796,528</u>
Total Liabilities	<u>4,627,790</u>	<u>4,196,309</u>
Net Position:		
Net investment in capital assets	16,481,430	17,431,709
Unrestricted	<u>4,342,830</u>	<u>3,985,153</u>
Total Net Position	<u>\$ 20,824,260</u>	<u>\$ 21,416,862</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2019 and 2018

	Governmental Activities	
	2019	2018
Expenses and Losses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 570,080	\$ 480,204
Contractual and professional services	205,929	118,775
Facility operations	118,149	97,093
Facility maintenance	145,944	136,989
Office expenses	110,805	64,401
Travel and meetings	21,199	9,306
Conferences, dues, and subscriptions	31,383	27,440
Marketing and promotion	20,342	33,771
Site reclamation and redevelopment	19,889	1,477,805
Interest expense	120,371	121,698
Depreciation (Note D)	714,496	739,474
Loss on disposition of capital assets	5,866	2,720
	2,084,453	3,309,676
Program Revenue:		
Contracts and grants (Note G)	1,061,252	2,646,972
	1,023,201	662,704
General Revenue:		
Rental income	407,280	351,373
Other income	23,319	17,477
	430,599	368,850
	(592,602)	(293,854)
Net Position, Beginning of Year	21,416,862	21,710,716
	\$ 20,824,260	\$ 21,416,862

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

September 30, 2019

(With Comparative Totals as of September 30, 2018)

	2019			Total All Funds	
	General Fund	Special Revenue Fund	Debt Service Fund	2019	2018
ASSETS					
Cash	\$ 963,196	\$ 1,066,946	\$ -0-	\$ 2,030,142	\$ 1,624,802
Accounts receivable (no allowance considered necessary)	134,405			134,405	169,733
Prepaid expenditures	21,460			21,460	20,887
Total Assets	\$ 1,119,061	\$ 1,066,946	\$ -0-	\$ 2,186,007	\$ 1,815,422
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 187,875	\$ 32,159	\$ -0-	\$ 220,034	\$ 208,516
Accrued expenses	1,469			1,469	-0-
Deferred revenue	187,500			187,500	-0-
Total Liabilities	376,844	32,159	-0-	409,003	208,516
Fund Balances:					
Nonspendable	21,460			21,460	20,887
Committed	5,000			5,000	5,000
Assigned		1,034,787		1,034,787	1,030,848
Unassigned	715,757			715,757	550,171
Total Fund Balances	742,217	1,034,787	-0-	1,777,004	1,606,906
Total Liabilities and Fund Balances	\$ 1,119,061	\$ 1,066,946	\$ -0-	\$ 2,186,007	\$ 1,815,422

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

September 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
ASSETS				
Cash	\$ 521,781	\$ 1,103,021	\$ -0-	\$ 1,624,802
Accounts receivable (no allowance considered necessary)	169,733			169,733
Prepaid expenditures	20,887			20,887
Total Assets	\$ 712,401	\$ 1,103,021	\$ -0-	\$ 1,815,422
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 136,343	\$ 72,173	\$ -0-	\$ 208,516
Total Liabilities	136,343	72,173	-0-	208,516
Fund Balances:				
Nonspendable	20,887			20,887
Committed	5,000			5,000
Assigned		1,030,848		1,030,848
Unassigned	550,171			550,171
Total Fund Balances	576,058	1,030,848	-0-	1,606,906
Total Liabilities and Fund Balances	\$ 712,401	\$ 1,103,021	\$ -0-	\$ 1,815,422

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balances, Governmental Funds	\$ 1,777,004	\$ 1,606,906
<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	2,572,534	2,383,878
<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	22,600,351
Less: Accumulated depreciation	(5,873,117)	(5,163,420)
<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	(4,212,079)	(3,982,162)
Accrued vacation pay	(6,708)	(5,631)
Total Net Position, Governmental Activities	<u><u>\$ 20,824,260</u></u>	<u><u>\$ 21,416,862</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, 2019
(With Comparative Totals for the Year Ended September 30, 2018)**

	2019			Total All Funds	
	General Fund	Special Revenue Fund	Debt Service Fund	2019	2018
Revenue:					
Contracts and grants (Note G)	\$ 1,050,096	\$ 11,156	\$ -0-	\$ 1,061,252	\$ 2,646,972
Rental income	407,280			407,280	351,373
Other income	23,319			23,319	17,477
Total Revenue	1,480,695	11,156	-0-	1,491,851	3,015,822
Expenditures:					
Current:					
Salaries, wages, and employee benefits	569,003			569,003	483,178
Contractual and professional services	205,929			205,929	118,775
Facility operations	118,149			118,149	97,093
Facility maintenance	145,944			145,944	136,989
Office expenses	110,805			110,805	64,401
Travel and meetings	21,199			21,199	9,306
Conferences, dues, and subscriptions	31,383			31,383	27,440
Marketing and promotion	20,342			20,342	33,771
Site reclamation and redevelopment		19,889		19,889	1,477,805
Interest expense			120,371	120,371	121,698
Debt service (Note E)			17,862	17,862	59,556
Capital outlay (Note D)				-0-	14,826
Total Expenditures	1,222,754	19,889	138,233	1,380,876	2,644,838
Excess (Deficiency) of Revenue over Expenditures	257,941	(8,733)	(138,233)	110,975	370,984
Other Financing Sources (Uses):					
Interfund transfers	(91,782)	(21,141)	112,923	-0-	-0-
Issuance of loan receivable proceeds (Note C)		(279,547)		(279,547)	(828,054)
Repayment of loan receivable proceeds (Note C)		90,891		90,891	90,492
Issuance of loan payable proceeds (Note E)		222,469		222,469	900,000
Other additions to loans payable (Note E)			25,310	25,310	22,757
Total Other Financing Sources (Uses)	(91,782)	12,672	138,233	59,123	185,195
Change in Fund Balances	166,159	3,939	-0-	170,098	556,179
Fund Balances, Beginning of Year	576,058	1,030,848	-0-	1,606,906	1,050,727
Fund Balances, End of Year	\$ 742,217	\$ 1,034,787	\$ -0-	\$ 1,777,004	\$ 1,606,906

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, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total All Funds
Revenue:				
Contracts and grants (Note G)	\$ 841,169	\$ 1,805,803	\$ -0-	\$ 2,646,972
Rental income	351,373			351,373
Other income	17,477			17,477
Total Revenue	1,210,019	1,805,803	-0-	3,015,822
Expenditures:				
Current:				
Salaries, wages, and employee benefits	483,178			483,178
Contractual and professional services	118,775			118,775
Facility operations	97,093			97,093
Facility maintenance	136,989			136,989
Office expenses	64,401			64,401
Travel and meetings	9,306			9,306
Conferences, dues, and subscriptions	27,440			27,440
Marketing and promotion	33,771			33,771
Site reclamation and redevelopment		1,477,805		1,477,805
Interest expense			121,698	121,698
Debt service (Note E)			59,556	59,556
Capital outlay (Note D)		14,826		14,826
Total Expenditures	970,953	1,492,631	181,254	2,644,838
Excess (Deficiency) of Revenue over Expenditures	239,066	313,172	(181,254)	370,984
Other Financing Sources (Uses):				
Interfund transfers	(317,579)	159,082	158,497	-0-
Issuance of loan receivable proceeds (Note C)		(828,054)		(828,054)
Repayment of loan receivable proceeds (Note C)		90,492		90,492
Issuance of loan payable proceeds (Note E)		900,000		900,000
Other additions to loans payable (Note E)			22,757	22,757
Total Other Financing Sources (Uses)	(317,579)	321,520	181,254	185,195
Change in Fund Balances	(78,513)	634,692	-0-	556,179
Fund Balances, Beginning of Year	654,571	396,156	-0-	1,050,727
Fund Balances, End of Year	\$ 576,058	\$ 1,030,848	\$ -0-	\$ 1,606,906

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Change in Fund Balances, Governmental Funds	\$ 170,098	\$ 556,179
<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	279,547	828,054
Repayment of loan receivable proceeds	(90,891)	(90,492)
<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>		
Capital outlay	-0-	14,826
Less:		
Depreciation expense	(714,496)	(739,474)
Loss on disposition of capital assets	(5,866)	(2,720)
<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	5,631	8,605
Less: Accrued vacation pay, end of year	(6,708)	(5,631)
<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	(222,469)	(900,000)
Other additions to loans payable	(25,310)	(22,757)
Reductions to loans payable	17,862	59,556
	<u> </u>	<u> </u>
Change in Net Position, Governmental Activities	<u>\$ (592,602)</u>	<u>\$ (293,854)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2019 and 2018

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.

Adoption of New Accounting Pronouncements

In March 2018, the Governmental Accounting Standards Board (“GASB”) issued Statement of Governmental Accounting Standards (“SGAS”) No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Under SGAS No. 88, in addition to previously-existing disclosure requirements related to debt, disclosures are now required regarding the amount of unused lines of credit and assets pledged as collateral for debt. Also, the disclosure requirements for certain terms in debt agreements are expanded, and debt disclosures regarding direct borrowings and direct placements of debt are required to be reported separately from debt disclosures regarding other debt. The Authority adopted the provisions of SGAS No. 88, effective October 1, 2018. The implementation of SGAS No. 88 did not impact the Authority’s net position, changes in net position, fund balances, or changes in fund balances.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

Basis of Presentation (continued)

Government-Wide Financial Statements (continued)

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. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

Basis of Accounting (continued)

Fund Financial Statements (continued)

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. 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, 2019 and 2018 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

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
- 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, 2019 and 2018, the Authority does not have any financial assets or liabilities subject to being classified in any of the above categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

Concentration of Credit Risk

During the years ended September 30, 2019 and 2018, the Authority made purchases from two vendors of \$197,193 and \$1,175,113, respectively, or approximately 21 percent and 60 percent, respectively, of total purchases. The total amounts due to these vendors were \$32,158 and \$72,173 as of September 30, 2019 and 2018, 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.

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, 2019 and 2018, 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>2019</u>	<u>2018</u>
Carrying amount of deposits	\$ 2,030,142	\$ 1,624,802
Total bank balances	<u>\$ 2,042,320</u>	<u>\$ 1,674,135</u>
Uninsured and uncollateralized bank balances	<u>\$ 1,542,320</u>	<u>\$ 1,174,135</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE C — LOANS RECEIVABLE

The Authority's portfolio of loans receivable as of September 30, 2019 and 2018 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 beginning on September 16, 2020.

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, beginning on September 14, 2020. 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.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE C — LOANS RECEIVABLE (CONTINUED)

Loans receivable activity for the years ended September 30, 2019 and 2018 is as follows:

	<u>Kirco</u>	<u>Ferrous</u>	<u>City Club Apartments</u>	<u>Total</u>
Balance, October 1, 2017	\$ 735,206	\$ 911,110	\$ -0-	\$ 1,646,316
Additions		328,054	500,000	828,054
Less: Repayments	<u>(90,492)</u>			<u>(90,492)</u>
Balance, September 30, 2018	644,714	1,239,164	500,000	2,383,878
Additions		57,078	222,469	279,547
Less: Repayments	<u>(90,891)</u>			<u>(90,891)</u>
Balance, September 30, 2019	<u>\$ 553,823</u>	<u>\$ 1,296,242</u>	<u>\$ 722,469</u>	<u>\$ 2,572,534</u>
Amounts Due Within One Year:				
September 30, 2018	<u>\$ 90,891</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 90,891</u>
September 30, 2019	<u>\$ 91,292</u>	<u>\$ 186,780</u>	<u>\$ 99,003</u>	<u>\$ 377,075</u>

NOTE D — CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended September 30, 2019 and 2018 is as follows:

	<u>Land</u>
Balance, October 1, 2017	<u>\$ 3,976,940</u>
Balance, September 30, 2018	<u>3,976,940</u>
Balance, September 30, 2019	<u>\$ 3,976,940</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE D — CAPITAL ASSETS (CONTINUED)

Depreciable capital asset activity for the years ended September 30, 2019 and 2018 is as follows:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost:				
Balance, October 1, 2017	\$ 22,309,670	\$ 51,509	\$ 229,446	\$ 22,590,625
Acquisitions	2,148	10,051	2,627	14,826
Less: Dispositions	<u> </u>	<u> </u>	<u>(5,100)</u>	<u>(5,100)</u>
Balance, September 30, 2018	22,311,818	61,560	226,973	22,600,351
Less: Dispositions	<u>(10,665)</u>	<u> </u>	<u> </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>
Accumulated Depreciation:				
Balance, October 1, 2017	\$ 4,174,925	\$ 45,893	\$ 205,508	\$ 4,426,326
Depreciation expense	712,515	5,697	21,262	739,474
Less: Dispositions	<u> </u>	<u> </u>	<u>(2,380)</u>	<u>(2,380)</u>
Balance, September 30, 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> </u>	<u> </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>
Net Depreciable Capital Assets:				
Balance, September 30, 2018	<u>\$ 17,424,378</u>	<u>\$ 9,970</u>	<u>\$ 2,583</u>	<u>\$ 17,436,931</u>
Balance, September 30, 2019	<u>\$ 16,710,486</u>	<u>\$ 3,500</u>	<u>\$ 2,583</u>	<u>\$ 16,716,569</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE E — LONG-TERM LIABILITIES

Long-term liabilities as of September 30, 2019 and 2018 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, 2019 and 2018 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, beginning in August 2020. 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, 2019, the MDEQ has disbursed \$222,469 of the authorized amount of \$250,000.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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, 2019 and 2018 is as follows:

	<u>Ambassador</u>	<u>MDEQ</u>	<u>Continental</u>	<u>Total</u>
Balance, October 1, 2017	\$ 2,018,919	\$ 1,100,000	\$ 42	\$ 3,118,961
Additions	22,757	900,000		922,757
Less: Repayments	<u>(59,556)</u>			<u>(59,556)</u>
Balance, September 30, 2018	1,982,120	2,000,000	42	3,982,162
Additions	25,310	222,469		247,779
Less: Repayments	<u>(17,862)</u>			<u>(17,862)</u>
Balance, September 30, 2019	<u>\$ 1,989,568</u>	<u>\$ 2,222,469</u>	<u>\$ 42</u>	<u>\$ 4,212,079</u>
Amounts Due Within One Year:				
September 30, 2018	<u>\$ 185,592</u>	<u>\$ -0-</u>	<u>\$ 42</u>	<u>\$ 185,634</u>
September 30, 2019	<u>\$ 133,594</u>	<u>\$ 97,826</u>	<u>\$ 42</u>	<u>\$ 231,462</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE E — LONG-TERM LIABILITIES (CONTINUED)

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending September 30:			
2020	\$ 231,462	\$ 116,406	\$ 347,868
2021	323,912	121,741	445,653
2022	341,407	128,914	470,321
2023	353,509	116,812	470,321
2024	366,218	104,103	470,321
2025-2029	2,045,693	305,912	2,351,605
2030-2033	549,878	14,549	564,427
	<u>\$ 4,212,079</u>	<u>\$ 908,437</u>	<u>\$ 5,120,516</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, 2019, 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, 2019:

For the Years Ending September 30:	
2020	\$ 3,400
2021	<u>510</u>
	<u>\$ 3,910</u>

Rental expense under operating leases for the years ended September 30, 2019 and 2018 was \$3,467 per year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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:

Port Security Grants

The Authority received a series of reimbursement grants from the U.S. Department of Homeland Security for the purpose of investing in projects that mitigate gaps in security, while advancing economic development goals of the region by encouraging local companies and businesses to provide solutions. The Authority provided status reports on a quarterly basis.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE G — CONTRACTS AND GRANTS (CONTINUED)

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, 2019 and 2018, \$500,000 has been issued from this grant.

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, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
General fund:		
State of Michigan	\$ 468,489	\$ 200,000
County of Wayne	250,000	250,000
City of Detroit	218,684	232,674
Ambassador port revenue	<u>112,923</u>	<u>158,495</u>
 Total General Fund		
Contracts and Grants	<u>\$ 1,050,096</u>	<u>\$ 841,169</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE G — CONTRACTS AND GRANTS (CONTINUED)

	<u>2019</u>	<u>2018</u>
Special revenue fund:		
Port security grants	\$ -0-	\$ 585,899
MDEQ grants	-0-	785,349
EPA Revolving Loan Fund grants	<u>11,156</u>	<u>434,555</u>
 Total Special Revenue Fund Contracts and Grants	 <u>11,156</u>	 <u>1,805,803</u>
	 <u><u>\$ 1,061,252</u></u>	 <u><u>\$ 2,646,972</u></u>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

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

During the year ended September 30, 2019, the Authority incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries, wages, and employee benefits	\$ 560,760	\$ 569,003	\$ (8,243)
Contractual and professional services	190,789	205,929	(15,140)
Facility operations	112,950	118,149	(5,199)
Office expenses	80,617	110,805	(30,188)
Travel and meetings	15,701	21,199	(5,498)

Revenue was sufficient to cover the excess expenditures.

NOTE J — NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued 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.

NOTE K — SUBSEQUENT EVENTS

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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2019 and 2018

NOTE K — SUBSEQUENT EVENTS (CONTINUED)

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. 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, 2020.

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, 2019 and 2018

	2019				2018			
	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	\$ 876,245	\$ 936,445	\$ 1,050,096	\$ 113,651	\$ 700,000	\$ 693,113	\$ 841,169	\$ 148,056
Rental income	275,000	275,000	407,280	132,280	255,000	313,897	351,373	37,476
Other income	17,500	17,500	23,319	5,819	17,450	34,624	17,477	(17,147)
Total Revenue	1,168,745	1,228,945	1,480,695	251,750	972,450	1,041,634	1,210,019	168,385
Expenditures:								
Current:								
Salaries, wages, and employee benefits	507,245	560,760	569,003	(8,243)	477,237	486,782	483,178	3,604
Contractual and professional services	195,000	190,789	205,929	(15,140)	157,000	118,775	118,775	-0-
Facility operations	100,000	112,950	118,149	(5,199)	89,500	93,161	97,093	(3,932)
Facility maintenance	190,000	171,979	145,944	26,035	100,213	130,763	136,989	(6,226)
Office expenses	78,500	80,617	110,805	(30,188)	73,500	56,141	64,401	(8,260)
Travel and meetings	11,000	15,701	21,199	(5,498)	15,000	9,285	9,306	(21)
Conferences, dues, and subscriptions	30,000	36,732	31,383	5,349	30,000	20,620	27,440	(6,820)
Marketing and promotion	32,000	20,342	20,342	-0-	20,000	33,771	33,771	-0-
Economic development	25,000	39,075		39,075	10,000			-0-
Total Expenditures	1,168,745	1,228,945	1,222,754	6,191	972,450	949,298	970,953	(21,655)
Excess of Revenue over Expenditures	-0-	-0-	257,941	257,941	-0-	92,336	239,066	146,730
Other Financing Sources (Uses):								
Interfund transfers			(91,782)	(91,782)			(317,579)	(317,579)
Change in Fund Balance	\$ -0-	\$ -0-	\$ 166,159	\$ 166,159	\$ -0-	\$ 92,336	\$ (78,513)	\$ (170,849)

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, 2019 and 2018

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.