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

FINANCIAL STATEMENTS
(With Required Supplementary Information)

June 30, 2019 and 2018

GEORGE JOHNSON & COMPANY
CPAs | ADVISORS

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

September 25, 2019

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Detroit Local Development Finance Authority (the "LDFA"), a component unit of the City of Detroit, Michigan, as of, and for the years ended, June 30, 2019 and 2018, as well as the related notes to the financial statements, which collectively comprise the LDFA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the LDFA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the LDFA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 LDFA as of June 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 July 1, 2018, the LDFA has adopted the disclosure provisions contained in Statement of Governmental Accounting 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 7 and budgetary comparison on pages 26 through 27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 25, 2019, on our consideration of the LDFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the LDFA's internal control over financial reporting and compliance.

George Johnson & Company

CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

This section of the annual report of the City of Detroit Local Development Finance Authority (the "LDFA") presents management's discussion and analysis of the LDFA's financial performance during the fiscal years that ended on June 30, 2019 and 2018. Please read it in conjunction with the LDFA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

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

For the year ended June 30, 2019, the LDFA had revenue of about $4 million. This is a slight decrease from the prior year. Two years ago, the total included an adjustment by the City for revenue overfunded to the LDFA in years prior to that. The adjustment is not expected to happen again. Expenses decreased to $1.3 million, which mainly consists of interest expense. The Core Community Fund grant project is near completion, and the remainder of the grant should be spent during the year ending June 30, 2020.

In order to alleviate cash flow concerns, the LDFA received a $2.5 million bridge loan from the Economic Development Corporation of the City of Detroit (the "EDC"). The loan is anticipated to be repaid during the fiscal year ending June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

A further discussion of each type of statement follows.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects a condensed summary of the LDFA's assets, liabilities, and net position as of June 30, 2019, 2018, and 2017:

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

	2019	2018	2017
Assets:			
Cash	$ 1.2	$ 1.2	$ 1.2
Investments	8.9	10.7	15.2
Total Assets	**10.1**	**11.9**	**16.4**
Liabilities:			
Long-term liabilities:			
Due or expected to be paid within one year	7.2	7.0	6.8
Due or expected to be paid in more than one year	9.8	14.5	21.5
Other liabilities	0.2	0.2	0.3
Total Liabilities	**17.2**	**21.7**	**28.6**
Net Position:			
Restricted for TIF Plan purposes	8.9	10.8	15.2
Restricted for grant projects	0.4	1.0	1.0
Unrestricted	(16.4)	(21.6)	(28.4)
Total Net Position	**$ (7.1)**	**$ (9.8)**	**$ (12.2)**

The net position of the LDFA increased by approximately 27 percent from June 30, 2018. This normal increase is due primarily to tax revenue that continues to exceed interest and other expenditures. The amount of annual increase will continue to grow as interest expense continues to decrease.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

While revenue did exceed interest and other expense amounts, they have not been sufficient to cover all debt service payments. Cash on hand that was retained by the LDFA has been used to supplement the TIF revenue and to cover the remaining debt service amounts. Asset balances have decreased as cash on hand was used to cover these debt service payments in excess of revenue. The balance of long-term liabilities continues to decrease as debt service is paid annually.

Table 2 reflects a condensed summary of the LDFA's revenue, expenses, and changes in net position for the years ended June 30, 2019, 2018, and 2017:

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

	2019	2018	2017
Revenue:			
General revenue	$ 4.0	$ 4.1	$ 3.6
Expenses:			
Economic development	1.3	1.7	2.1
Change in Net Position	**2.7**	**2.4**	**1.5**
Net Position, Beginning of Year	(9.8)	(12.2)	(13.7)
Net Position, End of Year	**$ (7.1)**	**$ (9.8)**	**$ (12.2)**

Current-year revenue experienced a slight decrease during the year ended June 30, 2019. Two years ago, an adjustment was made by the City during the year ended June 30, 2017 to offset overpayments in years prior to that. Without the adjustment in the prior year, total revenue in that year would have been approximately $4.1 million, or substantially equal to the total amount received in the two subsequent years. Expenses during the year ended June 30, 2019 consisted mainly of interest payments on the outstanding bonds.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

In comparing the LDFA's revenue and expenditures to its budget, the LDFA had variances in both categories. Property tax revenue had a negative variance, but it was offset by a surplus in earnings on investments. Overall grant expenditures were less than anticipated, but the difference will be expended in future years.

LONG-TERM LIABILITIES

The debt service for the bonds issued to support the project and the bridge loan from the EDC are the only long-term liabilities the LDFA has. These liabilities are summarized in Note D to the financial statements.

ECONOMIC FACTORS

The LDFA receives a large majority of its revenue through dedicated tax receipts. The economic health of the tax increment district area has a substantial impact on the level of revenue received. Personal property tax reform by the State of Michigan ensures payment to the LDFA of revenue that it was receiving in prior years, but limits the ability of the LDFA's property tax revenue to grow significantly. Acts 480 and 481, Public Acts of Michigan of 2018, have assisted the LDFA in offsetting the limitations to capture as a result of personal property tax reform by allowing the use of 2013 industrial personal property values rather than current-year industrial personal property values when submitting personal property loss reimbursement forms to the State of Michigan Treasury Department.

FINANCIAL CONTACT

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

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	Governmental Activities	
	2019	**2018**
Assets:		
Cash (Note B)	$ 1,189,459	$ 1,180,828
Investments (Note B)	8,884,385	10,760,201
Total Assets	**10,073,844**	**11,941,029**
Liabilities:		
Accounts payable	16,931	16,470
Accrued interest payable	136,653	202,246
Long-term liabilities (Note D):		
Due or expected to be paid within one year	7,185,000	6,990,000
Due or expected to be paid in more than one year	9,840,000	14,525,000
Total Liabilities	**17,178,584**	**21,733,716**
Net Position:		
Restricted for Tax Increment Financing Plan purposes	8,884,385	10,760,201
Restricted for grant projects	397,485	1,003,511
Unrestricted	(16,386,610)	(21,556,399)
Total Net Position	**$ (7,104,740)**	**$ (9,792,687)**

See notes to financial statements.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

	Governmental Activities	
	2019	**2018**
Expenses:		
Economic development program:		
Administrative and operating expenses (Note A)	$ 171,900	$ 176,104
Interest expense	1,147,884	1,532,510
Net Program Expense	**1,319,784**	**1,708,614**
General Revenue:		
Property taxes (Note C)	3,778,265	3,957,500
Earnings on investments	229,466	137,837
Total General Revenue	**4,007,731**	**4,095,337**
Change in Net Position	**2,687,947**	**2,386,723**
Net Position, Beginning of Year	(9,792,687)	(12,179,410)
Net Position, End of Year	**$ (7,104,740)**	**$ (9,792,687)**

See notes to financial statements.

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

June 30, 2019 and 2018

	General Fund	
	2019	**2018**
ASSETS		
Cash (Note B)	$ 1,189,459	$ 1,180,828
Investments (Note B)	8,884,385	10,760,201
Total Assets	**$ 10,073,844**	**$ 11,941,029**
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 16,931	$ 16,470
Total Liabilities	**16,931**	**16,470**
Fund Balances:		
Restricted (Note A)	9,281,870	11,763,712
Assigned	-0-	150,000
Unassigned	775,043	10,847
Total Fund Balances	**10,056,913**	**11,924,559**
Total Liabilities and Fund Balances	**$ 10,073,844**	**$ 11,941,029**

See notes to financial statements.

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

June 30, 2019 and 2018

	2019	2018
Total Fund Balances, Governmental Funds	$ 10,056,913	$ 11,924,559
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:		
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:		
Bonds and note payable	(17,025,000)	(21,515,000)
Accrued interest payable	(136,653)	(202,246)
Total Net Position, Governmental Activities	**$ (7,104,740)**	**$ (9,792,687)**

See notes to financial statements.

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

For the Years Ended June 30, 2019 and 2018

	General Fund	
	2019	**2018**
Revenue:		
Property taxes (Note C)	$ 3,778,265	$ 3,957,500
Earnings on investments	229,466	137,837
Total Revenue	**4,007,731**	**4,095,337**
Expenditures:		
Current:		
Administrative and operating expenses (Note A)	171,900	176,104
Interest expense	1,213,477	1,596,317
Debt service (Note D)	6,990,000	6,810,000
Total Expenditures	**8,375,377**	**8,582,421**
Excess (Deficiency) of Revenue over Expenditures	**(4,367,646)**	**(4,487,084)**
Other Financing Sources:		
Issuance of loan proceeds (Note D)	2,500,000	-0-
Change in Fund Balances	**(1,867,646)**	**(4,487,084)**
Fund Balances, Beginning of Year	11,924,559	16,411,643
Fund Balances, End of Year	**$ 10,056,913**	**$ 11,924,559**

See notes to financial statements.

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

For the Years Ended June 30, 2019 and 2018

	2019	**2018**
Change in Fund Balances, Governmental Funds	$ (1,867,646)	$ (4,487,084)
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:		
Proceeds issued on long-term debt are reported as a financing source, and repayment of long-term debt is reported as an expenditure, in governmental funds, but the repayment reduces long-term liabilities in the statements of net position. During the years presented, these amounts are as follows:		
Issuance of loan proceeds	(2,500,000)	-0-
Repayment of bonds payable	6,990,000	6,810,000
Accrued interest payable, beginning of year	202,246	266,053
Less: Accrued interest payable, end of year	(136,653)	(202,246)
Change in Net Position, Governmental Activities	**$ 2,687,947**	**$ 2,386,723**

See notes to financial statements.

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

Nature of Activities and Purpose

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

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

Adoption of New Accounting Pronouncements

In March 2018, the Governmental Accounting Standards Board 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 LDFA adopted the provisions of SGAS No. 88, effective July 1, 2018. The implementation of SGAS No. 88 did not impact the LDFA's net position, changes in net position, fund balances, or changes in fund balances.

Basis of Presentation

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

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

Basis of Presentation (continued)

Government-Wide Financial Statements

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

Fund Financial Statements

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

General Fund

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

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

Nonspendable

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

Restricted

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

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

Restricted (continued)

Restricted fund balances consist of the following as of June 30, 2019 and 2018:

	2019	2018
Restricted for TIF Plan purposes	$ 8,884,385	$ 10,760,201
Restricted for grant projects	397,485	1,003,511
	$ 9,281,870	**$ 11,763,712**

Committed

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

Assigned

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

Unassigned

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

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

Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

Administration

For the years ended June 30, 2019 and 2018, the LDFA entered into agreements with the Detroit Economic Growth Corporation (the "DEGC") for administrative and professional services at an annual cost not to exceed $125,000 per year. These expenditures are reflected in administrative expenses for services rendered for each year. No amounts were due to the DEGC as of June 30, 2019 or 2018.

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

Investments

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

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

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

Fair Value Measurements

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

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

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

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the LDFA has the ability to access

- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability

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.

NOTE B — CASH DEPOSITS AND INVESTMENTS

Cash Deposits

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

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

As of June 30, 2019 and 2018, the LDFA's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance or another type of insurance, are as follows:

	2019	2018
Carrying amount of deposits	$ 1,189,459	$ 1,180,828
Total bank balances	$ 1,189,459	$ 1,184,012
Uninsured and uncollateralized bank balances	$ 730,786	$ 734,148

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The LDFA's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019 and 2018 is summarized as follows:

	Fair Value Measurements			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
2019				
Assets:				
Investments at fair value:				
Money market funds	$ 8,884,385	$ -0-	$ -0-	$ 8,884,385
2018				
Assets:				
Investments at fair value:				
Money market funds	$ 10,760,201	$ -0-	$ -0-	$ 10,760,201

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

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

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

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

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

Individual investments that represent five percent or more of the LDFA's total investments either as of June 30, 2019 or as of June 30, 2018 are as follows:

	2019	2018
Investments held by the counterparty's trust department or agent in the LDFA's name:		
Money market funds:		
Aaa-mf rating from Moody's:		
First American Government Obligations Fund, Class Y (weighted average maturity of 19 days and 20 days in 2019 and 2018, respectively)	$ 8,884,385	$ 10,760,201

NOTE C — PROPERTY TAXES

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

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

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

NOTE C — PROPERTY TAXES (CONTINUED)

An audit was completed by the State for the tax years ended through 2009, but an audit of subsequent years has not been completed as of June 30, 2019. At this time, it is anticipated that the LDFA has not overcaptured any taxes and, as such, management has recorded no provision for estimated future refunds.

NOTE D — LONG-TERM LIABILITIES

Long-term liabilities as of June 30, 2019 and 2018 consist of the following:

Bonds Payable

On September 15, 1998, the LDFA issued $52,205,000 in 1998 Series A subordinated bonds, of which $46,869,964 is being used to pay the City for certain costs of public facilities. Principal and interest payments commenced on May 1, 1999 and are payable through May 2021. Interest payments are due semi-annually each May and November.

On September 5, 1997, the LDFA issued $45,865,000 in 1997 Series A tax increment refunding bonds, with an average interest rate of 5.3 percent per annum, to refund $42,000,000 of outstanding bonds issued in 1991. The proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on all of the refunded bonds. As a result, the refunded bonds are considered defeased, and the liability for those bonds has been removed from the financial statements. The amount of defeased debt outstanding as of June 30, 2019 and 2018 is $3,370,000 and $5,230,000, respectively.

On September 5, 1997, the LDFA also issued $11,500,000 in 1997 Series B and Series C tax increment bonds, the proceeds of which are being used to pay the City for certain costs of public facilities. Principal payments commenced on July 14, 2000 and are payable through July 2021. Interest payments are due semi-annually each May and November and commenced on November 1, 1997.

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

Note Payable

On November 21, 2018, the LDFA executed a funding agreement with the Economic Development Corporation of the City of Detroit (the “EDC”) to borrow $2,500,000 in order to fund remaining debt service obligations in connection with the aforementioned bonds. Under the funding agreement with the EDC, the note bears no interest and matures on December 31, 2021.

NOTE D — LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the years ended June 30, 2019 and 2018 is as follows:

	Bonds Payable	Note Payable	Total
Balance, July 1, 2017	$ 28,325,000	$ -0-	$ 28,325,000
Less: Repayments	(6,810,000)		(6,810,000)
Balance, June 30, 2018	**21,515,000**	**-0-**	**21,515,000**
Additions		2,500,000	2,500,000
Less: Repayments	(6,990,000)		(6,990,000)
Balance, June 30, 2019	**$ 14,525,000**	**$ 2,500,000**	**$ 17,025,000**
Amounts Due Within One Year:			
June 30, 2018	$ 6,990,000	$ -0-	$ 6,990,000
June 30, 2019	$ 7,185,000	$ -0-	$ 7,185,000

Maturities of long-term liabilities are as follows as of June 30, 2019:

	Principal	Interest	Total
For the Years Ending June 30:			
2020	$ 7,185,000	$ 819,916	$ 8,004,916
2021	7,340,000	414,737	7,754,737
2022	2,500,000		2,500,000
	$ 17,025,000	**$ 1,234,653**	**$ 18,259,653**

NOTE E — RISK MANAGEMENT

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

NOTE F — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

During the year ended June 30, 2019, the LDFA did not incur expenditures in excess of the amounts budgeted for any category.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DETROIT LOCAL DEVELOPMENT FINANCE AUTHORITY

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

For the Years Ended June 30, 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:								
Property taxes	$ 4,000,000	$ 4,000,000	$ 3,778,265	$ (221,735)	$ 4,000,000	$ 4,000,000	$ 3,957,500	$ (42,500)
Earnings on investments	30,000	30,000	229,466	199,466	30,000	30,000	137,837	107,837
Total Revenue	**4,030,000**	**4,030,000**	**4,007,731**	**(22,269)**	**4,030,000**	**4,030,000**	**4,095,337**	**65,337**
Expenditures:								
Current:								
Grant expenditures	480,000	480,000		480,000	480,000	480,000		480,000
Administrative and operating expenses	175,000	175,000	171,900	3,100	175,000	175,000	176,104	(1,104)
Interest expense	1,213,477	1,213,477	1,213,477	-0-	1,596,317	1,596,317	1,596,317	-0-
Debt service	6,990,000	6,990,000	6,990,000	-0-	6,810,000	6,810,000	6,810,000	-0-
Total Expenditures	**8,858,477**	**8,858,477**	**8,375,377**	**483,100**	**9,061,317**	**9,061,317**	**8,582,421**	**478,896**
Excess (Deficiency) of Revenue over Expenditures	**(4,828,477)**	**(4,828,477)**	**(4,367,646)**	**460,831**	**(5,031,317)**	**(5,031,317)**	**(4,487,084)**	**544,233**
Other Financing Sources:								
Issuance of loan proceeds			2,500,000	2,500,000				-0-
Change in Fund Balance	**$ (4,828,477)**	**$ (4,828,477)**	**$ (1,867,646)**	**$ 2,960,831**	**$ (5,031,317)**	**$ (5,031,317)**	**$ (4,487,084)**	**$ 544,233**

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

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

For the Years Ended June 30, 2019 and 2018

NOTE A — BUDGETS AND BUDGETARY ACCOUNTING

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

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