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

FINANCIAL STATEMENTS
(With Required Supplementary Information)

June 30, 2020 and 2019

GEORGE JOHNSON & COMPANY
CPAs | ADVISORS

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

CONTENTS

George Johnson & Company
CPAs | ADVISORS

1200 Buhl Building
535 Griswold Street
Detroit, Michigan 48226-3689

(313) 965.2655 • Fax (313) 965.4614

INDEPENDENT AUDITOR'S REPORT

October 7, 2020

To the Board of Directors
City of Detroit Downtown Development 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 Downtown Development Authority (the "DDA"), a component unit of the City of Detroit, Michigan, as of, and for the years ended, June 30, 2020 and 2019, as well as the related notes to the financial statements, which collectively comprise the DDA's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The DDA'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 DDA'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 DDA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the DDA as of June 30, 2020 and 2019, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and budgetary comparison on pages 45 through 46 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 October 7, 2020, on our consideration of the DDA'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 DDA'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 Downtown Development Authority (the "DDA") presents management's discussion and analysis of the DDA's financial performance during the fiscal years that ended on June 30, 2020 and 2019. Please read it in conjunction with the DDA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The DDA continued to make improvements to the Downtown District during the year ended June 30, 2020. Work on the Hudson's block and, to a lesser extent, the Monroe block continued. The DDA continued its strategy to reinvent the Harmonie Park area as part of the new Paradise Valley Project. The Lower Woodward Improvement Program, a multi-year initiative to build new streetscapes, improve facades on buildings, and provide gap financing, which was a resounding success, was further extended to provide new looks to cross-streets.

On June 19, 2013, the DDA announced a memorandum of understanding with other parties governing the potential future construction of a Catalyst Development Project ("Catalyst"), including Little Caesars Arena (the "Arena"), an event center that now houses the Detroit Red Wings hockey team and the Detroit Pistons basketball team. This Catalyst Development Project has allowed the DDA to restart collection of special tax increment financing revenue that would have otherwise left the City of Detroit. This has resulted in a large increase in revenue, as the project has reached its fruition.

The DDA owns the Arena and leases it out for operations. Bonds were issued originally in 2014, and have been refinanced twice by the DDA. They are being repaid utilizing the Catalyst tax increment revenue described in the previous paragraph.

The Lower Woodward Improvement Program and Paradise Valley were not alone as major activities of the DDA. Quicken Loans, Rock Financial, Olympia Development, Ally Financial, and Blue Cross Blue Shield of Michigan continue to lead the area's rebirth in their downtown locations. The Dangerous Building Demolition, Campus Martius, and East Riverfront Roads projects continued.

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 9 and 10) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 11, 12, 14, and 15) 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 DDA 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 DDA'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 DDA's net position and how they have changed. Net position represents the difference between the DDA'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 DDA's financial health, or position. Over time, increases or decreases in the DDA'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 DDA's funds, not the DDA as a whole. Funds are accounting devices that the DDA uses to keep track of specific sources of funding and spending for particular purposes.

Most of the DDA'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 DDA'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 13 and 16 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 17, explain some of the information in the financial statements and provide more detailed data. A comparison of the DDA's general fund revenue and expenditures to its budget is provided on page 45.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

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

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

	2020	2019	2018
Assets:			
Cash	$ 1.8	$ 12.9	$ 1.3
Investments	112.5	78.0	70.6
Notes and accrued interest receivable	4.9	6.2	7.6
Capital assets	935.3	963.6	988.8
Other assets	14.8	19.1	26.1
Total Assets	**1,069.3**	**1,079.8**	**1,094.4**
Liabilities:			
Long-term liabilities:			
Due or expected to be paid within one year	6.4	3.2	1.6
Due or expected to be paid in more than one year	325.2	329.8	337.0
Other liabilities	16.1	15.4	18.7
Total Liabilities	**347.7**	**348.4**	**357.3**
Net Position:			
Net investment in capital assets	650.5	678.8	702.8
Restricted for development	64.6	46.5	28.7
Unrestricted	6.5	6.1	5.6
Total Net Position	**$ 721.6**	**$ 731.4**	**$ 737.1**

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The net position of the DDA decreased one percent. This decrease is mainly due to depreciation on Little Caesars Arena, which the DDA owns. This small annual decrease is expected to be a trend over the next 35 years as the facility continues to depreciate. Debt service payments on the bonds continue to be made.

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

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

	2020	2019	2018
Revenue:			
Program revenue	$ 3.4	$ 23.2	$ 354.9
General revenue:			
Property taxes	49.3	40.7	35.6
Other revenue	0.8	1.3	2.1
Total Revenue	**53.5**	**65.2**	**392.6**
Expenses:			
Economic development	63.3	70.9	56.2
Change in Net Position	**(9.8)**	**(5.7)**	**336.4**
Net Position, Beginning of Year	731.4	737.1	400.7
Net Position, End of Year	**$ 721.6**	**$ 731.4**	**$ 737.1**

Program revenue decreased by a large amount due to payments made in prior years by the developer for construction of the Arena. Property tax revenue increased during the year ended June 30, 2020 as taxable values continue to increase and some properties returned to the tax rolls.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The following are highlights of the comparison of the DDA's general fund revenue and expenditures to its budget, as shown on page 45:

- The DDA receives lease revenue from the Kennedy Square garage, as well as parking revenue from several sites being held for future developments. Parking revenue did not meet expected levels as the COVID-19 outbreak had a negative effect on parking in the downtown district.

- Property tax revenue had a positive variance as one mil receipts were greater than expected.

- The management of the DDA exercised tight control over expenses in the general fund, resulting in a positive variance for both professional fees and administrative and operating expenses.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

As of June 30, 2020, the DDA held long-term, partially depreciated capital assets of just over $1.04 billion (pre-depreciation). This balance consisted primarily of various parcels of land and the Arena of roughly $985 million, as well as more than $26.6 million invested in the Kennedy Garage and $23.4 million in the 150 Michigan Garage. This activity is summarized in Note E to the financial statements.

The DDA had approximately $42.4 million in non-catalyst revenue bonds outstanding as of June 30, 2020, and $287.4 million in catalyst revenue bonds. On July 1, 2020, a scheduled debt service payment was made, further decreasing the outstanding balance of the bonds. This activity is summarized in Note G to the financial statements.

ECONOMIC FACTORS

The DDA receives a large majority of its revenue through statutorily designated tax receipts. The economic health of the downtown area has a substantial impact on the level of revenue received. Downtown Detroit property values have been increasing and, as long as that continues, the DDA should continue to be funded adequately. Projects such as the Catalyst Development Project, the Lower Woodward Improvement Program, and Paradise Valley, coupled with private investment from the business community, should continue to ensure a bright future for downtown Detroit.

FINANCIAL CONTACT

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

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	Governmental Activities	
	2020	**2019**
Assets:		
Cash (Note B)	$ 1,842,156	$ 12,932,370
Investments (Note B)	112,478,515	78,009,308
Accounts and contracts receivable (no allowance considered necessary)	3,173,025	3,909,338
Property taxes receivable, net (Note D)	-0-	5,326
Notes and accrued interest receivable, net (Notes A and C)	4,864,159	6,247,123
Property held for development (Note F)	11,400,000	14,377,000
Prepaid expenses	166,324	690,270
Capital assets (Note E):		
Nondepreciable capital assets	55,344,670	55,344,670
Depreciable capital assets, net	879,983,534	908,236,877
Total Assets	**1,069,252,383**	**1,079,752,282**
Liabilities:		
Accounts payable	5,269,501	4,572,342
Accrued interest payable	10,772,559	10,742,497
Escrow deposits payable (Note H)	17,305	21,230
Long-term liabilities (Note G):		
Due or expected to be paid within one year	6,442,986	3,210,892
Due or expected to be paid in more than one year	325,190,291	329,838,543
Total Liabilities	**347,692,642**	**348,385,504**
Net Position:		
Net investment in capital assets	650,450,977	678,795,312
Restricted for development	64,638,767	46,449,343
Unrestricted	6,469,997	6,122,123
Total Net Position	**$ 721,559,741**	**$ 731,366,778**

See notes to financial statements.

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2020 and 2019

	Governmental Activities	
	2020	**2019**
Expenses:		
Economic development program:		
Project costs	$ 12,162,441	$ 9,242,677
Administrative and operating expenses (Note A)	3,186,236	14,127,933
Interest expense	19,246,522	18,579,814
Professional fees	474,250	633,685
Depreciation (Note E)	28,253,343	28,355,736
Total Program Expenses	**63,322,792**	**70,939,845**
Program Revenue:		
Economic development program	3,437,624	23,187,243
Net Program Expense	**59,885,168**	**47,752,602**
General Revenue:		
Property taxes (Note D)	49,317,731	40,648,306
Other revenue	760,400	1,338,124
Total General Revenue	**50,078,131**	**41,986,430**
Change in Net Position	**(9,807,037)**	**(5,766,172)**
Net Position, Beginning of Year	731,366,778	737,132,950
Net Position, End of Year	**$ 721,559,741**	**$ 731,366,778**

See notes to financial statements.

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

June 30, 2020
(With Comparative Totals as of June 30, 2019)

	2020				Total All Funds	
			Debt Service Funds			
	General Fund	Special Revenue Fund	Stadium Fund	Other	2020	2019
ASSETS						
Cash (Note B)	$ 61,244	$ 1,780,912	$ -0-	$ -0-	$ 1,842,156	$ 12,932,370
Investments (Note B)	6,289,043	48,489,215	49,479,345	8,220,912	112,478,515	78,009,308
Accounts and contracts receivable (no allowance considered necessary)		2,710,854			2,710,854	3,381,835
Property taxes receivable, net (Note D)					-0-	5,326
Notes and accrued interest receivable, net (Notes A and C)		4,864,159			4,864,159	6,247,123
Property held for development (Note F)		11,400,000			11,400,000	14,377,000
Prepaid expenditures	166,324				166,324	690,270
Total Assets	**$ 6,516,611**	**$ 69,245,140**	**$ 49,479,345**	**$ 8,220,912**	**$ 133,462,008**	**$ 115,643,232**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 46,614	$ 5,222,887	$ -0-	$ -0-	$ 5,269,501	$ 4,572,342
Accrued interest payable			7,185,625	3,586,934	10,772,559	10,742,497
Escrow deposits payable (Note H)		17,305			17,305	21,230
Maturing bonds contract payable (Note G)				4,633,978	4,633,978	1,297,291
Total Liabilities	**46,614**	**5,240,192**	**7,185,625**	**8,220,912**	**20,693,343**	**16,633,360**
Fund Balances:						
Nonspendable	166,324	16,264,159			16,430,483	21,314,393
Restricted		35,278,028			35,278,028	28,795,825
Committed		8,280,000			8,280,000	8,180,000
Assigned		4,182,761	42,293,720		46,476,481	34,759,592
Unassigned	6,303,673				6,303,673	5,960,062
Total Fund Balances	**6,469,997**	**64,004,948**	**42,293,720**	**-0-**	**112,768,665**	**99,009,872**
Total Liabilities and Fund Balances	**$ 6,516,611**	**$ 69,245,140**	**$ 49,479,345**	**$ 8,220,912**	**$ 133,462,008**	**$ 115,643,232**

See notes to financial statements.

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

BALANCE SHEETS — GOVERNMENTAL FUNDS

June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Funds: Stadium Fund	Debt Service Funds: Other	Total All Funds
ASSETS					
Cash (Note B)	$ 643,230	$ 12,289,140	$ -0-	$ -0-	$ 12,932,370
Investments (Note B)	5,460,760	27,136,284	40,558,101	4,854,163	78,009,308
Accounts and contracts receivable (no allowance considered necessary)	11,018	3,370,817			3,381,835
Property taxes receivable, net (Note D)	5,326				5,326
Notes and accrued interest receivable, net (Notes A and C)		6,247,123			6,247,123
Property held for development (Note F)		14,377,000			14,377,000
Prepaid expenditures	162,061	528,209			690,270
Total Assets	**$ 6,282,395**	**$ 63,948,573**	**$ 40,558,101**	**$ 4,854,163**	**$ 115,643,232**
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 160,272	$ 4,412,070	$ -0-	$ -0-	$ 4,572,342
Accrued interest payable			7,185,625	3,556,872	10,742,497
Escrow deposits payable (Note H)		21,230			21,230
Maturing bonds contract payable (Note G)				1,297,291	1,297,291
Total Liabilities	**160,272**	**4,433,300**	**7,185,625**	**4,854,163**	**16,633,360**
Fund Balances:					
Nonspendable	162,061	21,152,332			21,314,393
Restricted		28,795,825			28,795,825
Committed		8,180,000			8,180,000
Assigned		1,387,116	33,372,476		34,759,592
Unassigned	5,960,062				5,960,062
Total Fund Balances	**6,122,123**	**59,515,273**	**33,372,476**	**-0-**	**99,009,872**
Total Liabilities and Fund Balances	**$ 6,282,395**	**$ 63,948,573**	**$ 40,558,101**	**$ 4,854,163**	**$ 115,643,232**

See notes to financial statements.

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

June 30, 2020 and 2019

	2020	2019
Total Fund Balances, Governmental Funds	$ 112,768,665	$ 99,009,872
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:		
Long-term accounts receivable applicable to governmental activities are not due and collectible in the current period and, therefore, are not reported in the funds. These assets consist of the following:		
Accounts and contracts receivable	462,171	527,503
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:		
Nondepreciable capital assets	55,344,670	55,344,670
Depreciable capital assets:		
Cost	980,299,566	982,273,321
Less: Accumulated depreciation	(100,316,032)	(74,036,444)
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:		
Contract, notes, bonds, and bonds contract payable	(326,999,299)	(331,752,144)
Total Net Position, Governmental Activities	**$ 721,559,741**	**$ 731,366,778**

See notes to financial statements.

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

For the Year Ended June 30, 2020
(With Comparative Totals for the Years Ended June 30, 2019)

	2020				Total All Funds	
			Debt Service Funds			
	General Fund	Special Revenue Fund	Stadium Fund	Other	2020	2019
Revenue:						
Property taxes (Note D)	$ 1,233,034	$ 43,462,754	$ -0-	$ 4,621,943	$ 49,317,731	$ 40,648,306
Other revenue	860,962	2,983,346	419,048		4,263,356	24,542,319
Total Revenue	**2,093,996**	**46,446,100**	**419,048**	**4,621,943**	**53,581,087**	**65,190,625**
Expenditures:						
Current:						
Project costs		12,162,441			12,162,441	9,242,677
Administrative and operating expenses (Note A)	2,021,872	630,964	533,400		3,186,236	14,127,933
Interest expense		4,784,280	14,371,250		19,155,530	18,579,814
Professional fees	474,250				474,250	633,685
Debt service (Note G)		221,894		4,621,943	4,843,837	314,250,233
Capital outlay (Note E)					-0-	3,095,777
Total Expenditures	**2,496,122**	**17,799,579**	**14,904,650**	**4,621,943**	**39,822,294**	**359,930,119**
Excess (Deficiency) of Revenue over Expenditures	**(402,126)**	**28,646,521**	**(14,485,602)**	**-0-**	**13,758,793**	**(294,739,494)**
Other Financing Sources (Uses):						
Issuance of bond proceeds (Note G)					-0-	311,530,000
Discount on issuance of bond proceeds (Note G)					-0-	(2,839,640)
Interfund transfers	750,000	(24,156,846)	23,406,846		-0-	-0-
Change in Fund Balances	**347,874**	**4,489,675**	**8,921,244**	**-0-**	**13,758,793**	**13,950,866**
Fund Balances, Beginning of Year	6,122,123	59,515,273	33,372,476	-0-	99,009,872	85,059,006
Fund Balances, End of Year	**$ 6,469,997**	**$ 64,004,948**	**$ 42,293,720**	**$ -0-**	**$ 112,768,665**	**$ 99,009,872**

See notes to financial statements.

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

For the Year Ended June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Funds: Stadium Fund	Debt Service Funds: Other	Total All Funds
Revenue:					
Property taxes (Note D)	$ 1,119,634	$ 11,240,960	$ -0-	$ 28,287,712	$ 40,648,306
Other revenue	1,355,076	4,997,520	18,189,723		24,542,319
Total Revenue	**2,474,710**	**16,238,480**	**18,189,723**	**28,287,712**	**65,190,625**
Expenditures:					
Current:					
Project costs		9,242,677			9,242,677
Administrative and operating expenses (Note A)	2,045,220	1,415,461	10,667,252		14,127,933
Interest expense		4,936,922	13,642,892		18,579,814
Professional fees	633,685				633,685
Debt service (Note G)		53,513	285,909,008	28,287,712	314,250,233
Capital outlay (Note E)			3,095,777		3,095,777
Total Expenditures	**2,678,905**	**15,648,573**	**313,314,929**	**28,287,712**	**359,930,119**
Excess (Deficiency) of Revenue over Expenditures	**(204,195)**	**589,907**	**(295,125,206)**	**-0-**	**(294,739,494)**
Other Financing Sources (Uses):					
Issuance of bond proceeds (Note G)		24,105,000	287,425,000		311,530,000
Discount on issuance of bond proceeds (Note G)		(109,883)	(2,729,757)		(2,839,640)
Interfund transfers	750,000	(20,289,407)	19,539,407		-0-
Change in Fund Balances	**545,805**	**4,295,617**	**9,109,444**	**-0-**	**13,950,866**
Fund Balances, Beginning of Year	5,576,318	55,219,656	24,263,032	-0-	85,059,006
Fund Balances, End of Year	**$ 6,122,123**	**$ 59,515,273**	**$ 33,372,476**	**$ -0-**	**$ 99,009,872**

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, 2020 and 2019

	2020	2019
Change in Fund Balances, Governmental Funds	$ 13,758,793	$ 13,950,866
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:		
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. During the years presented, these amounts are as follows:		
Capital outlay	-0-	3,095,777
Depreciation expense	(28,253,343)	(28,355,736)
Certain revenue reported in the statements of activities does not provide current financial resources and, therefore, is not reported as revenue in governmental funds. During the years presented, these amounts are as follows:		
Accounts and contracts receivable in more than 60 days, end of year	462,171	527,503
Less:		
Accounts and contracts receivable in more than 60 days, beginning of year	(527,503)	(544,455)
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 bond proceeds	-0-	(311,530,000)
Discount on issuance of bond proceeds	-0-	2,839,640
Repayment of notes and bonds contract payable	4,752,845	314,250,233
Change in Net Position, Governmental Activities	**$ (9,807,037)**	**$ (5,766,172)**

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 Downtown Development Authority (the "DDA") was created by the Detroit City Council by Ordinance No. 119-H on May 20, 1976, under the provisions of Act 197, Public Acts of Michigan of 1975. The DDA was established for the purpose of promoting and developing economic growth in the downtown business district of the City of Detroit, Michigan (the "City"). The DDA has been authorized to fund its activities by an ad valorem tax of one mill on real and tangible personal property not exempt by laws in the downtown development district, and the issuance of negotiable revenue and tax increment obligations to finance the development activities of the DDA.

The DDA may issue tax increment bonds and may not pledge for annual debt service requirements for any one-year amounts in excess of 80 percent of the estimated tax increment revenue to be received from the development district for that year, or may pledge solely the tax increments of the project for which the bonds had been issued and any other revenue for which the DDA may specifically pledge.

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

Basis of Presentation

The financial statements of the DDA 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 DDA'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 DDA that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the DDA 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.

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

Basis of Presentation (continued)

Fund Financial Statements

For purposes of the fund financial statements, the accounts of the DDA 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 funds, all of which are considered major funds, are used by the DDA:

General Fund

The general fund is the general operating fund of the DDA. 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 financial resources to be used for the acquisition or construction of capital projects. The DDA finances its development plan by capturing the tax proceeds on the increase in assessed value within the tax increment district located within the downtown area. Funds raised from this levy are restricted for use within the tax increment district pursuant to the Tax Increment Financing Plan. This fund is not legally required to adopt a budget.

Debt Service Funds

Stadium Fund

The stadium fund accounts for the servicing of obligations incurred for the construction of Little Caesars Arena (the “Arena”) and related development financed by the 2014 bond issuance by the Michigan Strategic Fund (the “MSF”), which is secured by various revenue streams of the DDA.

Other Debt Service Fund

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

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

The DDA'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 DDA 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 DDA 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 DDA's duly authorized agents. Assigned fund balances are typically established through funding agreements or adoption or amendment of the budget.

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. Grants and other revenue intended for use within the special revenue fund 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.

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

Administration

For the years ended June 30, 2020 and 2019, the DDA entered into agreements with the Detroit Economic Growth Corporation (the "DEGC") for administrative and professional services at an annual cost not to exceed $1,900,000 per year for the years ended June 30, 2020 and 2019, respectively. These expenditures are reflected in administrative expenses for services rendered for each year. No amounts were due to the DEGC as of June 30, 2020 or 2019.

Accounting for Notes Receivable

The DDA is in the business of loaning funds to various entities for which, in some cases, the collection process does not begin immediately. In those instances, the collection process may not begin for a number of years. The DDA provides a reserve for these notes, land contracts, and other loans if and when these instruments are deemed to be partially or fully uncollectible. Due to the nature of the collection terms on these instruments, recoverability of these instruments may be uncertain and, furthermore, may not be evident for a number of years. The ultimate collectability of these instruments is dependent upon the long-term viability of these entities.

Capital Assets

Capital assets are recorded at historical cost. The DDA capitalizes all expenditures for land, buildings, equipment, fixtures, and improvements in excess of $1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Stadium	35 years
Other buildings	40 years
Equipment and fixtures	7-25 years
Leasehold improvements	9-40 years

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.

Grant Revenue

Grant revenue is recognized when expenses that are reimbursable under an agreement with the funding source are incurred.

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

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 DDA 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 June 30, 2020 and 2019 because none of the five specified events have occurred.

Interfund Transactions and Eliminations

Transfers of tax increment financing revenue from the special revenue fund to the general and stadium funds are recorded as interfund transactions in the fund financial statements. All interfund transactions and balances have been eliminated in the accompanying financial statements.

Allowance for Doubtful Notes and Interest Receivable

The DDA charges notes and interest receivable to the allowance for doubtful notes and interest receivable when it is probable that a note receivable, or the related accrued interest receivable, is impaired (that is, when the DDA will be unable to collect all amounts due according to the contractual terms of the agreement). Changes in the present value of an obligation's expected future cash flows from one reporting period to the next are recorded as additions or reductions to the allowance for doubtful notes and interest receivable. The DDA also includes in the allowance for doubtful notes and interest receivable a general provision based on the DDA's historical recovery of these receivables.

Investments

The DDA'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 DDA as of the end of the year.

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

Investments (continued)

The fair value of U.S. Treasury securities is provided by pricing services that use methods based upon market transactions for comparable securities and various relationships between securities, which are generally recognized by institutional traders. The fair value of repurchase agreements is based on the assets the DDA will repurchase from the bank upon the expiration of each repurchase agreement.

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

Fair Value Measurements

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

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

Fair Value Measurements (continued)

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

Concentration of Credit Risk

During the years ended June 30, 2020 and 2019, the DDA utilized four vendors and three vendors, respectively, for purchases of $10,466,283 and $7,066,233, respectively, or 78 percent and 64 percent, respectively, of total purchases. No amounts were due to these vendors as of June 30, 2020 and 2019.

Downtown Events Center Project

In 2014, the MSF issued bonds, with the proceeds used toward the construction of Little Caesars Arena, a downtown events center used by the Detroit Red Wings hockey team and the Detroit Pistons basketball team, as well as for other entertainment and sporting events. The DDA is the owner of the Arena. Olympia Development ("Olympia") is the concessionaire that runs the Arena. Olympia donated land and construction costs valued at $47,800,000 to the project. See Note G for details on the bonds issued.

Development Projects

The DDA has been involved in several other major projects, which primarily include the following:

- Riverfront Residential Project
- Trappers Alley
- Millender Center
- Madison Center
- Congress/First Street Hotel Development — Cobo Hall Expansion
- Theater District
- Annis Fur Building Development
- International Hotel
- Ramada/Leland Downtown Hotel
- Harmonie Park Project

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

Development Projects (continued)

- Merchants Row
- Michigan Opera Theatre
- Hilton Garden Inn
- Music Hall Center for the Performing Arts
- Stadia Complex
- Lower Woodward Improvement Plan
- Campus Martius
- East Riverfront District
- Riverfront Promenade
- Kales Building
- Kennedy Square Office Building
- 1001 Woodward Parking Garage
- Au Bon Pain
- Michigan Opera Garage
- Book Cadillac Project
- Broadway Property and Partners
- Lafer Building
- Vinton Building
- Paradise Valley Project
- Capitol Park
- Whitney Building
- The District Detroit (Little Caesars Arena and surrounding development)
- Q-Line
- Business Attraction:
  - Ally Financial
  - Blue Cross Blue Shield of Michigan
  - Quicken Loans
- Development Financing Small Business Loan Transactions Program:
  - Fieldstone Properties
  - Opus to Go, L.L.C.
  - Seldom Blues
  - Marmalade Enterprises
  - Diversified Restaurant Group

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

Development Projects (continued)

- Development Financing Small Business Loan Transactions Program (continued):
  - Vincente III, L.L.C.
  - Dunwright, L.L.C.
  - Detroit Breakfast House
  - Adams and Park

Reclassifications

Certain reclassifications have been made to the accompanying financial statements as of, and for the year ended, June 30, 2019 to conform to classifications used as of, and for the year ended, June 30, 2020.

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 DDA's deposits may not be returned to the DDA. The DDA does not have a deposit policy for custodial credit risk.

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

	2020	2019
Carrying amount of deposits	$ 1,842,156	$ 12,932,370
Total bank balances	$ 1,918,547	$ 12,940,228
Uninsured and uncollateralized bank balances	$ 1,345,980	$ 12,219,025

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The DDA's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 and 2019 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
2020				
Assets:				
Investments at fair value:				
Money market funds	$ 104,539,793	$ -0-	$ -0-	$ 104,539,793
U.S. Treasury bond		2,938,722		2,938,722
Repurchase agreements		5,000,000		5,000,000
	$ 104,539,793	**$ 7,938,722**	**$ -0-**	**$ 112,478,515**
2019				
Assets:				
Investments at fair value:				
Money market funds	$ 72,289,340	$ -0-	$ -0-	$ 72,289,340
U.S. Treasury bond		2,719,968		2,719,968
Repurchase agreements		3,000,000		3,000,000
	$ 72,289,340	**$ 5,719,968**	**$ -0-**	**$ 78,009,308**

Credit risk is the risk that the DDA will not recover its investments due to the inability of the counterparty to fulfill its obligations. State statutes authorize the DDA 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 DDA has no investment policy that would further limit its investment options.

The DDA 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)

Maturities of the DDA's debt securities as of June 30, 2020 and 2019 are as follows:

	2020	2019
Maturity date of May 15, 2024:		
U.S. Treasury bond	$ 2,938,721	$ 2,719,968

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

Individual investments that represent five percent or more of the DDA's total investments either as of June 30, 2020 or as of June 30, 2019, or for which credit risk or interest rate risk disclosures are required, are as follows:

	2020	2019
Investments held by the counterparty's trust department or agent in the DDA's name:		
Money market funds:		
Aaa-mf rating from Moody's:		
First American Government Obligations Fund, Class Y (weighted average maturity of 43 days and 19 days for 2020 and 2019, respectively)	$ 69,475,571	$ 52,325,776
AAAm rating from Standard & Poor's:		
Federated Government Obligations Fund (weighted average maturity of 40 days and 30 days for 2020 and 2019, respectively)	21,795,418	9,648,276

NOTE B — CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

	2020	2019
Investments held by the counterparty's trust department or agent in the DDA's name (continued):		
Money market funds (continued):		
AAAm rating from Standard & Poor's (continued):		
JPMorgan U.S. Treasury Plus Money Market Fund (weighted average maturity of 37 days and 15 days for 2020 and 2019, respectively)	$ 38,583	$ 38,145
Unrated:		
Comerica Governmental Cash Investment Fund J (weighted average maturity of 19 days and 22 days for 2020 and 2019, respectively)	13,230,221	10,277,143

NOTE C — NOTES RECEIVABLE

The DDA's portfolio of notes receivable as of June 30, 2020 and 2019 is as follows:

Trappers Alley Limited Partnership

Two notes receivable have been issued to Trappers Alley Limited Partnership:

- The DDA issued a mortgage note over 40 years, dated December 27, 1983, which is secured by property, with interest at 12 percent. Interest only is payable, to the extent there is sufficient cash flow, for the first 20 years, beginning January 2, 1987; the note is fully amortized over the remaining 20 years.

- The DEGC issued a promissory note, dated December 27, 1983; the DDA purchased the note from the DEGC on June 25, 1987. This note bears annual interest of 11.25 percent and is secured by the borrower's property. The DDA has strong concerns regarding the recovery of this loan, as this project has had continuous operating losses. The current underutilization of the space (only two floors of the five-story structure are being used) adds to these concerns. Unpaid interest has been accrued on this loan.

NOTE C — NOTES RECEIVABLE (CONTINUED)

400 Monroe Associates

This is an Urban Development Action Grant ("UDAG") promissory note, dated February 25, 1988, secured by a mortgage and payable over 15 years. Interest payments are deferred and did not accrue for years one and two. Interest only is payable in years three through five, and the repayment of principal and interest thereafter are payable in monthly installments, based on a 25-year amortization schedule, with a balloon payment in year 15 sufficient to pay off the remaining principal balance plus accrued interest thereon. Interest is payable at three percent per annum. The project was completed July 31, 1992. This loan was restructured by the DDA in June 2009 to require payments of interest only for the period from June 1, 2009 through November 30, 2010 and to extend the loan amortization period for 18 months. The borrower entered into negotiations with the DDA in late 2019 and negotiated an early payoff of the loan.

Leland House Limited Partnership Company

This is a final promissory note, dated July 9, 1991, secured by a mortgage and security agreement. The bankruptcy confirmation order, dated September 27, 1993, restricted the payment on debts so that the DDA and the City will share the payments (no payments in years one through five, $30,000 per year in years six and seven, $60,000 per year in years eight through 28, and $90,000 per year in years 29 and 30) on a pro rata basis.

KWA I, L.L.C.

This is a promissory note, dated May 30, 2003, for residential loft and ground floor retail development. A payment of $3,750,000 is due seven years from the project's closing, with the balance to be repaid via single business tax credits or sale proceeds. This agreement has been amended, extending the maturity date to September 30, 2029 and modifying the loan amount to $3,900,000.

Seldom Blues, L.L.C.

This is a promissory note, dated May 5, 2004, secured by equipment and the personal guarantee of the owner. Payments of interest only were due for the first 12 months of the loan. After that, payments of principal and interest were to be made monthly through, and including, May 1, 2011. Interest accrued at the rate of four percent per annum. This loan was restructured by the DDA in June 2009 to require payments of interest only for the period from June 1, 2009 through November 30, 2010 and to extend the loan amortization period for 18 months.

NOTE C — NOTES RECEIVABLE (CONTINUED)

Seldom Blues, L.L.C. (continued)

The business has closed, and the guarantor has filed for bankruptcy; the DDA has actively pursued collection from the guarantors and has been receiving partial payments since September 2012. A structured settlement was reached with the last guarantor in 2017. Payments were made as scheduled, and the last payment was received in October 2019.

Michigan Opera Garage

This is a promissory note, dated December 8, 2004, secured by a second mortgage. Repayment is due under two separate schedules. For 36 months, $226,000 of the loan was interest-free, then accrued interest at five percent per annum, amortized over 15 years, with a balloon payment for the unpaid balance due in 10 years. That portion has been repaid. The remaining $800,000 of the loan is interest-free during the term of the first position debt, then accrues interest at four percent per annum, with fully amortizing payments thereafter.

Hudson Business Enterprises, Inc.

This note, dated October 9, 2006, was issued to fund a portion of the costs associated with the build-out of leased space located at 1441 Woodward Avenue. Interest accrues a rate of four percent per annum. Monthly payments of interest only are payable through October 1, 2007. Beginning November 1, 2007, monthly payments of $1,932 in principal and interest are payable until the note matures on October 1, 2016. This loan was restructured by the DDA in June 2009 to require payments of interest only for the period from June 1, 2009 through November 30, 2010 and to extend the loan amortization period for 18 months. The borrower has been making partial principal payments along with full interest payments since, but is expected to resume full payments with a 10-year amortization in 2020.

Book Cadillac Hotel

The DDA issued a guaranty note, dated May 7, 2008, from the Housing/Office/Retail fund. It is a short-term bridge loan made to fund the completion of the Book Cadillac Hotel. The note is secured by deposits on the condominium portion of the project. The outstanding balance was originally due January 30, 2009. The borrower and the DDA agreed to extend the due date of the loan. The loan is being repaid from the excess proceeds from the sale of the condominiums. Based on current sales projections, the DDA expects to receive full principal payoff. A large partial payment was received in late 2016.

NOTE C — NOTES RECEIVABLE (CONTINUED)

Randolph Center 2020

In 2019, the DDA sold 1435 Randolph and 1455 Centre to the Hamilton Development Group. As part of the transaction, the DDA's Board of Directors approved up to $1,835,000 in loans to the developer. Between seller financing and loan disbursements, the balance as of June 30, 2020 is $1,400,000. The loan has a 1.5 percent interest rate per annum, with interest only being due during construction and the first five years. The loan is amortized over 20 years with a term that is intended to run with senior financing.

Adams and Park

This is a promissory note, dated August 5, 2008. It was issued to fund a portion of the costs associated with the build-out of leased space located at 76 West Adams for a Shield's Pizza. It is secured by an assignment of lease, equipment, and personal guarantees. Interest accrues at a rate of four percent per annum. The loan has a term of seven years, with no payments due for the first six months. Commencing on November 1, 2008 and continuing through April 1, 2009, payments of interest only were due. Thereafter, principal and interest payments are due through March 1, 2015. On April 1, 2015, a balloon payment is due. The project fell behind schedule and did not open on time. The landlord evicted the borrower. The DDA's management has determined that the amount is uncollectible and wrote off the remaining balance due during 2020.

The outstanding balances on these notes receivable, and the related accrued interest receivable, are as follows as of June 30, 2020 and 2019:

	2020	2019
Trappers Alley Limited Partnership:		
DDA loan	$ 2,800,000	$ 2,800,000
DEGC loan	982,170	982,170
400 Monroe Associates	-0-	2,352,970
Leland House Limited Partnership Company	979,648	979,648
KWA I, L.L.C.	3,900,000	3,900,000
Seldom Blues, L.L.C.	-0-	10,000
Michigan Opera Garage	800,000	800,000
Hudson Business Enterprises, Inc.	158,419	165,807
Book Cadillac Hotel	989,771	989,771

NOTE C — NOTES RECEIVABLE (CONTINUED)

	2020	2019
Randolph Center 2020	$ 1,400,000	$ -0-
Adams and Park	-0-	184,463
	12,010,008	13,164,829
Accrued interest receivable	2,753,771	2,751,659
	14,763,779	15,916,488
Less:		
Allowance for doubtful notes and interest receivable	(9,899,620)	(9,669,365)
Net Notes and Accrued Interest Receivable	**$ 4,864,159**	**$ 6,247,123**

Changes in the allowance for doubtful notes and interest receivable are as follows for the years ended June 30, 2020 and 2019:

	2020	2019
Balance, beginning of year	$ 9,669,365	$ 10,000,763
Additions	1,002,960	74,677
Less:		
Recovery of notes receivable previously fully or partially reserved	(588,242)	(56,075)
Write-off of uncollectible notes receivable	(184,463)	(350,000)
Balance, End of Year	**$ 9,899,620**	**$ 9,669,365**

Because of the long-term nature of these notes receivable and the uncertainty of the time of collection on many of them, the fair value of these notes receivable as of June 30, 2020 and 2019 cannot be readily determined.

NOTE D — PROPERTY TAXES

The DDA finances its general and administrative operations with the proceeds of a one-mill levy on the assessed value of the Downtown Development District. A portion of this fund has been designated by the DDA's Board of Directors to meet existing contracts outstanding.

The DDA is authorized to finance its development plan by capturing the tax proceeds on the increases in the assessed value on real and personal property within the tax increment district located within the downtown development area. Funds raised from this levy are restricted for use within the tax increment district.

The DDA has entered into an agreement with the Board of Commissioners of Wayne County, Michigan (the "County") to exclude certain proceeds of the tax increment fund which had been previously designated for certain County operational and construction activities.

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 DDA in December and June of each year for all millage rates being captured.

An allowance for doubtful taxes receivable is recorded based upon the historical uncollectible experience for total real and personal property tax assessments, plus allowances for other specific accounts for which collection is uncertain. No such allowance is considered necessary as of June 30, 2020 and 2019.

NOTE E — CAPITAL ASSETS

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

	Land
Balance, July 1, 2018	$ 55,344,670
Balance, June 30, 2019	**55,344,670**
Balance, June 30, 2020	**$ 55,344,670**

NOTE E — CAPITAL ASSETS (CONTINUED)

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

	Stadium	Other Buildings	Equipment and Fixtures	Leasehold Improvements	Total
Cost:					
Balance, July 1, 2018	$ 926,479,406	$ 50,050,177	$ 68,446	$ 2,594,915	$ 979,192,944
Acquisitions	3,095,777				3,095,777
Less: Dispositions				(15,400)	(15,400)
Balance, June 30, 2019	**929,575,183**	**50,050,177**	**68,446**	**2,579,515**	**982,273,321**
Less: Dispositions				(1,973,755)	(1,973,755)
Balance, June 30, 2020	**$ 929,575,183**	**$ 50,050,177**	**$ 68,446**	**$ 605,760**	**$ 980,299,566**
Accumulated Depreciation:					
Balance, July 1, 2018	$ 22,059,033	$ 21,137,919	$ 68,446	$ 2,430,710	$ 45,696,108
Depreciation expense	26,559,292	1,668,339		128,105	28,355,736
Less: Dispositions				(15,400)	(15,400)
Balance, June 30, 2019	**48,618,325**	**22,806,258**	**68,446**	**2,543,415**	**74,036,444**
Depreciation expense	26,559,291	1,668,340		25,712	28,253,343
Less: Dispositions				(1,973,755)	(1,973,755)
Balance, June 30, 2020	**$ 75,177,616**	**$ 24,474,598**	**$ 68,446**	**$ 595,372**	**$ 100,316,032**
Net Depreciable Capital Assets:					
Balance, June 30, 2019	$ 880,956,858	$ 27,243,919	$ -0-	$ 36,100	$ 908,236,877
Balance, June 30, 2020	$ 854,397,567	$ 25,575,579	$ -0-	$ 10,388	$ 879,983,534

NOTE F — PROPERTY HELD FOR DEVELOPMENT

As of June 30, 2020 and 2019, the DDA has acquired property for the development of the following projects that are not part of the DDA's regular operations:

	2020	2019
Paradise Valley Project	$ 2,200,000	$ 5,177,000
Riverfront Residential Project	8,700,000	8,700,000
Broadway	500,000	500,000
	$ 11,400,000	**$ 14,377,000**

The Paradise Valley Project consists of properties assembled as part of a master plan to further economic development activities in downtown Detroit by revitalizing the Harmonie Park area with an enhanced physical environment and new investment opportunities. The DDA will work to accomplish this by executing a plan to acquire, rehabilitate, and re-position important landmark buildings for business opportunities, to further upgrade public open spaces, and to provide a right of way to create a festive, safe, and inviting environment for the public, as well as by developing other marketing and management tools to help sustain commerce in the area in the future.

NOTE G — LONG-TERM LIABILITIES

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

Contract Payable

The contract payable consists of amounts due to Amerivision Corporation under a UDAG used to partially finance development of the Trappers Alley Project. The Trappers Alley Project was financed in part with $2,800,000 of UDAG funds received by the City and administered by the DDA. The funds were originally loaned to the developer and are to be repaid, contingent upon cash flow, in installments over 40 years. The repayment proceeds will be used to liquidate the DDA's obligation.

NOTE G — LONG-TERM LIABILITIES (CONTINUED)

Notes Payable

Invest Detroit Foundation

As part of a redevelopment plan for the west district in Capitol Park, in November 2009, the DDA's Board of Directors approved the acquisition of 1145 Griswold for $1,907,562. The DDA's Board of Directors further approved the borrowing of $2,000,000 from the Lower Woodward Housing Fund of Detroit Renaissance Foundation (now Invest Detroit Foundation) for the acquisition, interest-free for 24 months. The loan was secured by a mortgage on 1145 Griswold. The loan was modified in 2012, extending the maturity date to June 30, 2013. The loan was further modified in 2013, extending the maturity date to coincide with receipts from the entity chosen to redevelop the area. Future payments are tied to receipts from the developer and are based upon a cash flow schedule.

Economic Development Corporation of the City of Detroit

Two loans were issued by the Economic Development Corporation of the City of Detroit from the SmartBuilding Green Fund to fund energy improvement projects for properties owned by the DDA: one for the 150 Michigan Avenue Garage, and the other for five buildings in the Paradise Valley area of downtown Detroit. Each loan has an interest rate of two percent per annum, and payments began on both loans on August 1, 2014. The 150 Michigan Garage loan was paid in full in 2018, and the Paradise Valley loan was paid in full in 2020.

Payments on these loans are made primarily from the special revenue fund.

Bonds Payable

In 2014, the MSF issued $250,000,000 in Series 2014A bonds and $200,000,000 in Series 2014B bonds, with the proceeds to be used toward the construction of the Arena. The Series 2014A bonds were serviced primarily through Catalyst Development Project tax revenue captured by the DDA. Beginning in 2019, there was also a variable contribution toward the debt service from the DDA's general tax revenue that was captured. The Series 2014B bonds were to be serviced by a variable concession management payment from Olympia to the DDA and have a variable interest rate. Series 2014A bonds were disbursed entirely at the outset of the project. Series 2014B bond proceeds were drawn down as required.

NOTE G — LONG-TERM LIABILITIES (CONTINUED)

Bonds Payable (continued)

The DDA entered into a swap novation transaction with Garden Trust Company, LLC, as Trustee of the Michael Ilitch Trust Agreement ("Garden Trust") on November 9, 2017 for the purpose of removing the DDA from a previous swap transaction. As part of this transaction, the entire outstanding amount of Series 2014B bonds drawn down, $188,500,000, was retired through a prepayment of the base concession fees payable by Garden Trust to the DDA under the Concession Management Agreement relating to the Arena.

As the bonds were issued, the DDA entered into loan agreements with the MSF. The proceeds from the bonds are loaned to the DDA by the MSF, and the DDA was obligated to pay the aforementioned revenue to the MSF to service the bonds. A bond issued by the DDA to the MSF secured this obligation.

On August 10, 2017, the DDA issued $36,000,000 in Series 2017 bonds, with the proceeds to be used toward construction changes and enhancements to the Arena. These changes were necessary in order to make the Arena compliant with National Basketball Association requirements and to incentivize the Detroit Pistons to relocate to the City of Detroit. Similar to the Series 2014A bonds, these bonds will be repaid through Catalyst Development Project tax increment revenue captured by the DDA.

These bonds were all paid off with a new bond issuance in December 2018. DDA issued $287,425,000 in Series 2018A bonds to refund the Series 2014 and Series 2017 bonds. These bonds will be repaid through the same revenue stream that the Series 2014 and Series 2017 bonds were to have been repaid and resulted in substantial savings to the DDA.

Payments on these bonds will be made primarily from the stadium fund.

Bonds Contract Payable

The City and the DDA have issued the following bonds:

Issued by the City on August 1, 1989 ("1989 bonds"):	
Series 1989A tax-exempt bonds	$ 15,225,000
Series 1989B taxable bonds	71,000,000
	$ 86,225,000

NOTE G — LONG-TERM LIABILITIES (CONTINUED)

Bonds Contract Payable (continued)

Issued by the DDA on April 18, 1996 ("1996 bonds"):	
Series 1996A taxable bonds	$ 75,014,000
Series 1996B tax-exempt bonds	13,330,000
Series 1996C tax-exempt bonds	64,883,198
Series 1996D tax-exempt bonds	14,185,000
	$ 167,412,198
Issued by the DDA on September 1, 1998 ("1998 bonds"):	
Series 1998A tax-exempt bonds	$ 68,900,000
Series 1998B taxable bonds	32,195,000
Series 1998C junior lien bonds	21,425,000
	$ 122,520,000

The principal and interest on the bonds are primarily payable from, and secured by, certain incremental property tax revenue to be received by the DDA from Development Area No. 1 within the downtown business district (see Note A). Payments on the bonds contract payable are made from the other debt service fund under the general bond resolution.

A portion of the 1996 bond proceeds, $87,996,800, was put into an escrow account to repay the 1989 bonds. A portion of the 1998 bond proceeds, $65,124,175, was also put into an escrow account to repay the Series 1996C (partial refund) and the Series 1996D bonds. The escrow agent was responsible for monitoring and making the required debt service payments on those bonds, which were removed as liabilities from the DDA's financial statements. The 1989 bonds, the Series 1996C (partial refund) bonds, and the Series 1996D bonds have been fully repaid. The Series 1998A Bonds were repaid through the issuance of Series 2018B bonds in the amount of $24,105,000. These Series 2018B bonds will be repaid in the same time period as the Series 1998A bonds would have been, with the same revenue stream.

NOTE G — LONG-TERM LIABILITIES (CONTINUED)

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

	Special Revenue Fund		Stadium Fund			Other Debt Service Fund			
	Contract Payable	Notes Payable	Bonds Payable	Bond Discount	Net	Bonds Contract Payable	Bond Discount	Net	Total
Balance, July 1, 2018	$ 2,800,000	$ 2,175,407	$ 286,000,000	$ -0-	$ 286,000,000	$ 48,090,675	$ 489,023	$ 47,601,652	$ 338,577,059
Additions			287,425,000	2,729,757	284,695,243	24,105,000	109,883	23,995,117	308,690,360
Less:									
Repayments		(53,513)	(286,000,000)		(286,000,000)	(28,431,368)		(28,431,368)	(314,484,881)
Amortization				(90,992)	90,992		(175,905)	175,905	266,897
Balance, June 30, 2019	**2,800,000**	**2,121,894**	**287,425,000**	**2,638,765**	**284,786,235**	**43,764,307**	**423,001**	**43,341,306**	**333,049,435**
Less:									
Repayments		(221,894)				(1,361,991)		(1,361,991)	(1,583,885)
Amortization				(90,992)	90,992		(76,735)	76,735	167,727
Balance, June 30, 2020	**$ 2,800,000**	**$ 1,900,000**	**$ 287,425,000**	**$ 2,547,773**	**$ 284,877,227**	**$ 42,402,316**	**$ 346,266**	**$ 42,056,050**	**$ 331,633,277**
Amounts Due Within One Year:									
June 30, 2019	$ -0-	$ 2,004,593	$ -0-	$ 90,992	$ (90,992)	$ 1,361,991	$ 64,700	$ 1,297,291	$ 3,210,892
June 30, 2020	$ -0-	$ 1,900,000	$ -0-	$ 90,992	$ (90,992)	$ 4,698,678	$ 64,700	$ 4,633,978	$ 6,442,986

NOTE G — LONG-TERM LIABILITIES (CONTINUED)

Maturities of long-term liabilities (excluding the bond discount), are as follows as of June 30, 2020:

	Principal				Interest				
	Special Revenue Fund	Stadium Fund	Other Debt Service Fund	Total Principal	Special Revenue Fund	Stadium Fund	Other Debt Service Fund	Total Interest	Total
For the Years Ending June 30:									
2021	$ 1,900,000	$ -0-	$ 4,698,678	$ 6,598,678	$ -0-	$ 14,371,250	$ 4,604,671	$ 18,975,921	$ 25,574,599
2022		3,295,000	5,230,127	8,525,127		14,288,875	4,423,222	18,712,097	27,237,224
2023		4,355,000	4,509,136	8,864,136		14,097,625	4,242,088	18,339,713	27,203,849
2024	2,800,000	4,640,000	4,475,495	11,915,495		13,872,750	4,075,729	17,948,479	29,863,974
2025		3,675,000	4,444,111	8,119,111		13,664,875	3,907,114	17,571,989	25,691,100
2026-2030		25,175,000	19,044,769	44,219,769		65,020,125	5,426,882	70,447,007	114,666,776
2031-2035		37,490,000		37,490,000		57,108,750		57,108,750	94,598,750
2036-2040		50,750,000		50,750,000		46,132,500		46,132,500	96,882,500
2041-2045		66,750,000		66,750,000		31,532,500		31,532,500	98,282,500
2046-2049		91,295,000		91,295,000		11,009,875		11,009,875	102,304,875
	$ 4,700,000	**$ 287,425,000**	**$ 42,402,316**	**$ 334,527,316**	**$ -0-**	**$ 281,099,125**	**$ 26,679,706**	**$ 307,778,831**	**$ 642,306,147**

NOTE H — ESCROW DEPOSITS PAYABLE

As of June 30, 2020 and 2019, the DDA has escrow deposits due to Leland House Limited Partnership Company. These deposits are utilized by the DDA to pay tax and insurance obligations related to the Ramada/Leland Hotel Project.

NOTE I — RISK MANAGEMENT

The DDA has insurance policies covering its directors and officers. It also has general liability insurance and property insurance covering its various assets. At the request of the Board of Directors, the DDA has obtained two excess general liability policies in addition to the original policy to ensure sufficient coverage. Due to the extent of insurance that the DDA maintains, the risk of loss to the DDA, in management's opinion, is minimal.

NOTE J — 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, 2020, the DDA did not incur expenditures in excess of the amounts budgeted for any category.

NOTE K — CONTINGENCIES

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

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 DDA's net position, liquidity, and future operations. The DDA's operations are heavily dependent on the ability to raise property taxes. Access to grants and contracts from federal, state, and local governments 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 regional economic slowdown. This situation is expected to depress the tax base and to reduce the demand for contracted projects for which the DDA received revenue during the year ended June 30, 2020. As such, this may hinder the ability for the DDA to meet the needs of its constituents.

NOTE K — CONTINGENCIES (CONTINUED)

Although the DDA 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 DDA's future operations, net position, and liquidity during the year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DETROIT DOWNTOWN DEVELOPMENT AUTHORITY

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

For the Years Ended June 30, 2020 and 2019

	2020				2019			
	Original Budget	**Final Budget**	**Actual**	**Positive (Negative) Variance with Final Budget**	**Original Budget**	**Final Budget**	**Actual**	**Positive (Negative) Variance with Final Budget**
Revenue:								
Property taxes	$ 1,050,000	$ 1,050,000	$ 1,233,034	$ 183,034	$ 950,000	$ 950,000	$ 1,119,634	$ 169,634
Other revenue	915,000	915,000	860,962	(54,038)	1,583,000	1,583,000	1,355,076	(227,924)
Total Revenue	**1,965,000**	**1,965,000**	**2,093,996**	**128,996**	**2,533,000**	**2,533,000**	**2,474,710**	**(58,290)**
Expenditures:								
Current:								
Administrative and operating expenses	2,325,000	2,325,000	2,021,872	303,128	2,330,000	2,330,000	2,045,220	284,780
Professional fees	740,000	740,000	474,250	265,750	763,000	763,000	633,685	129,315
Total Expenditures	**3,065,000**	**3,065,000**	**2,496,122**	**568,878**	**3,093,000**	**3,093,000**	**2,678,905**	**414,095**
Excess (Deficiency) of Revenue over Expenditures	**(1,100,000)**	**(1,100,000)**	**(402,126)**	**697,874**	**(560,000)**	**(560,000)**	**(204,195)**	**355,805**
Other Financing Sources:								
Interfund transfers	750,000	750,000	750,000	-0-	750,000	750,000	750,000	-0-
Change in Fund Balance	**$ (350,000)**	**$ (350,000)**	**$ 347,874**	**$ 697,874**	**$ 190,000**	**$ 190,000**	**$ 545,805**	**$ 355,805**

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, 2020 and 2019

NOTE A — BUDGETS AND BUDGETARY ACCOUNTING

The City of Detroit Downtown Development Authority (the "DDA") 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 to the DDA's Finance Committee and approved by the DDA's Board of Directors and the Detroit City Council. No amendments to the budget were made during the year. Appropriations are authorized by the DDA's management. Unexpended appropriations lapse at the end of the fiscal year.