



**OFFICE OF THE
CHIEF FINANCIAL OFFICER**

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MEMORANDUM

TO: David Whitaker, Director, Legislative Policy Division
FROM: John Naglick, Jr., Chief Deputy CFO / Finance Director 
DATE: May 31, 2022
RE: Review of the 2021 Annual Comprehensive Financial Report (ACFR) for the City of Detroit

Please find attached responses to your questions regarding the 2021 ACFR.

1. The Solid Waste and Street Funds had fund balances of \$35.1 million and \$94.7 million, respectively at June 30, 2021. It appears the City has not properly allocated pension and legacy costs and other reimbursable costs (such as central staff services, workers compensation, and litigation costs) to these funds which have the means to pay for them and relieve the General Fund of these costs. After LPD's review of FY 2020 CAFR, we asked OCFO to provide the methodology that will be explored to ensure these Special Revenue Funds are reimbursing the General Fund for reimbursable costs and OCFO's response was the cost allocation plan process was being completed and should be completed before June 30, 2021. What is the status of the cost allocation plan?

As part of several initiatives started in recent years, the Office of the Controller completes its Citywide Cost Allocation Plans which in turn provides a methodology for ensuring Special Revenue Funds like DPW are charged for their proportionate share of indirect overhead costs. Accordingly, in FY21 DPW budgeted and posted \$7.2 mil in indirect costs to reimburse the GF (\$5.7 mil was charged to Major Streets and \$1.6 mil to Local Streets). The Office of the Controller in partnership with Office of Departmental Financial Services (ODFS) review of the cost allocation plan is still in process to ensure all costs are properly allocated.

2. After our review of the 2020 CAFR, LPD asked a follow up question to our FY 2019 CAFR regarding establishing Internal Service Fund for City's Risk Management activity. OCFO's response was that OCFO plans to review the Risk Management reclassification to Internal Service in conjunction with the planned implementation of GASB 84 requirements. The City adopted GASB 84 in FY2021, what is conclusion of OCFO's analysis of the Risk Management Fund reclassification to Internal Service Fund?

GASB 84 required the City to review fund classifications specifically for fiduciary activities. All City Funds and classifications were reviewed in the process and the resulting conclusion was for the

Risk Management Fund 1001 to continue to be reported and classified as a General Fund Combining fund. For financial reporting, both the OCFO and Plante Moran concurred that RM activities were more appropriately reflected within GF activities as opposed to a standalone ISF, notwithstanding the fact that RM activities are significantly subsidized by GF revenue sources (i.e. the RMF does not have its own source revenue as defined under GASB-84).

3. The City was not in compliance with the State of Michigan 2 of 1968, Uniform Budgeting and Accounting Act, Section 141.438(3), which requires the City to not incur expenditures against an appropriation account in excess of the amount appropriated by the City Council. This is a repeat non-compliance, what is OCFO's action plan to address this issue? Please provide a schedule showing the appropriations that were exceeded by expenses. Were these appropriations with deficits closed out?

During fiscal year 2021, the OCFO undertook a substantial effort to review and correct line-item appropriation deficits in the General Fund and other funds, including a year-end budget amendment approved by City Council on June 29, 2021. While they must still be addressed through corrective action, the instances detailed in this finding represent technical rather than substantive noncompliance. Specific examples include: (1) The OCFO recorded adjustments to its due to/due from balances across various funds after year-end in excess of budgeted adjustment amounts. The OCFO will implement a cut-off date for such adjustments to ensure all adjustments are budgeted. (2) The OCFO recorded grant and other special revenue fund activities in excess of appropriations. These are instances where the amended budget appropriations must be reconciled with actual grant and fund balances to represent the true available balances. (3) The City does not budget for its blended component units, so the reported Detroit Building Authority and Greater Detroit Resource Recovery Authority activities show as appropriation deficits in the Capital Projects Fund and Solid Waste Management Fund, respectively. Part of these activities are double counted with expenditures of the City proper. The OCFO will identify a solution to either bring these activities on-budget or present them on a net rather than gross basis. In November 2021, the Office of Budget established a Budgetary Accounting and Position Control team to focus specifically on correcting these issues, in partnership with the Office of Departmental Financial Services, during fiscal year 2022.

A complete schedule of budgeted expenditure appropriations vs. actual expenses is included in the ACFR.

4. The City was not in compliance with the distribution of taxes, as stated in MCL 211.43 (Section 43(3) of the General Property Tax Act., 1893 PA 206, as amended). Section 211.43 (3)(a) of the tax act states that property taxes must be remitted within 10 businessdays after the 1st and 15th day of each month. What is OCFO's action plan to address this issue?

The average distribution timing (for the few distributions that exceeded the 10 day requirement) was 14.26 days. The Tax Accounting Unit has revised the property tax distribution process to better align with AP’s payment processes. Treasury will also explore an agreement between the taxing jurisdictions for an alternative distribution schedule (which is allowable under the law) that will account for potential delays in payment processing.

- On Page 32 of the FY 2021 ACFR, the General Fund subsidy to the Airport decreased by \$2.0 million in FY 2021. Please explain the reason for the decrease.

The General Fund subsidy to the Airport was comparable year over year of \$1.8M. FY20 included an additional \$1.9M adjustment to resolve prior years Due To/Due From balances.

Non Major Enterprise Fund Transfers (Airport)		
	FY21	FY20
Annual Subsidy	\$1.85M	\$1.81M
Asset/Land Transfer	\$1.49M	\$1.56M
Due To/Due From	-	\$1.89M
Total Transfers	\$3.34M	\$5.26M

- Note 5 on page 66 of the FY 2021 ACFR (Interfund Receivables, Payables, and Transfers) shows General Fund transferred \$1,846,502 to Nonmajor Enterprise Funds. The Airport Fund is the only Nonmajor Enterprise Fund in the FY 2021 ACFR and it shows Transfers In of \$3,342,502. Did the Airport Fund receive additional transfers from other City Funds?

The FY21 Airport Transfers include the General Fund annual subsidy to the Airport of \$1.8M plus \$1.5M land transfer to properly reflect the ownership of the asset (based on an OCFO internal audit of City Land Ownership). The General Fund subsidy was comparable year of year (\$1.8M).

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Asset/Land Transfer	\$1.49M	\$1.56M
Due To/Due From	-	\$1.89M
Total Transfers	\$3.34M	\$5.26M

7. PLA's financial statements show \$24,130,710 restricted for debt service. This amount represents the remaining cumulative Utility Users' Tax (UUT) transfers from the General Fund that PLA will use for future debt service payments. LPD calculated total UUT transfers through June 30, 2021 less total debt service payments through June 30, 2021 and noted a difference of \$781,845 between the restricted for debt service amount on the financial statements and amount calculated by LPD. We asked PLA representatives to provide support for the amount shown on the financial statements, but we have not received response so far. Please see attachment VI for LPD's calculations and have PLA provide support for the amount restricted for debt service.

Please see attached schedule prepared by PLA Auditors, George Johnson & Co. The \$24,130,710 at 6/30/2021 and the \$24,529,982 at 6/30/2020 shown as restricted for debt service in the financial statements is comprised of the sum of the amounts held by the bond trustee, Wilmington Trust at those dates.

8. On Page 30 of the FY 2021 ACFR, PLA's Net Invested in Capital Assets shows a negative \$4,862,538, but PLA's standalone financial statements show amount Net Invested in Capital Assets as zero (See page 9 of PLA's FY 2021 standalone financial statements). Please explain this difference.

During the FY21 audit, the city and its auditors Plante Moran reviewed PLA's calculation of net investment in assets with the PLA's auditors George Johnson noting a negative balance as illustrated in the table below. Rather than show the negative balance (as is required) PLA presented it as a \$0 with offset to unrestricted. As it was just a reclassification of net position between unrestricted and restricted with no impact on total net position, Plante Moran did not require PLA to reissue their financial statements. The city however was required to show the proper classification in its FY21 ACFR.

Net Position-Business Type	FY21 FS- PLA	FY21 ACFR- COD
Total Accumulated Depreciation	\$186,053,415	\$186,053,415
Total Accumulated Depreciation	(24,949,799)	(24,949,799)
Net Capital Assets	\$161,103,616	\$161,103,616
Total Outstanding Debt-for capital	165,966,154	165,966,154
Unspent proceeds related to above	- 0-	- 0-
Net Outstanding Debt for capital	165,966,154	165,966,154
Net Position- Net Investment in Capital Assets	-0-	(4,862,538)
Restricted for bond repayment	24,130,710	24,130,710
Unrestricted	14,828,353	19,690,891
Net Position- Net Investment in Capital Assets	\$38,959,063	\$38,959,063

9. On Page 31 of the FY 2021 ACFR, the General Fund provided \$31.7 million in subsidies to the Transportation Fund in FY 2021 compared to \$45.9 million in FY 2020. Please explain why the General Fund subsidy to DDOT decreased by \$14.2 million in FY 2021.

Utilization of additional CARES Act Transit Grant funds in lieu of General Fund contributions to help address revenue shortfalls from the pandemic.

10. On page 23 of the FY 2021 ACFR, the General Fund had \$42.9 million and \$59.3 million increases in income tax assessments receivable and wagering tax receivable, respectively, compared to FY 2020. What are these increases due to?

The wagering tax increase relates to the \$40.5M Hold Harmless Payment and adjustments to the annual Municipal Services Fee which account for the new wagering tax types (retail sports betting, online gaming and online sports betting). The income tax receivable is adjusted each year based on new assessments from the current tax year less collections from previous tax years. Additionally, in FY21, Treasury recorded an accrued receivable (in accordance with GASB/GAAP standards) in the amount of \$54.2M for future additions to the receivable balances that relate to prior years primarily due to ongoing compliance work.

11. General Fund Due from Other Funds decreased \$57.8 million in FY 2021 compared to FY2020 Due from Other Funds balance. Was this decrease due to improvement on timely interfund receivables settlement?

The Controller's Office has made efforts over the last two years to cleanup and resolve interfund balances as well as speed up the time it takes for departments to reimburse and settle outstanding balances. The decrease in the General Fund Due from other Funds is therefore a derivative of process improvements attributed to actions taken by the Controller's Office and departments through ODFS, as expected.

12. General Fund Income Tax Refunds Payable increased by \$29.4 million to \$70.3 million from the \$40.9 million in fiscal 2020. Is this increased due to estimated liability for nonresident remote work income tax refunds?

In FY20, the income tax payable included an estimated remote work liability (\$23.5M), refunds pending processing/approval (\$10.7M), credit carry-forwards (\$1.9M) and an accrual related to the income tax extension (\$4.8M).

In FY21, the income tax payable included an estimate on *all tax payments* that could be subject to refund including withholding, individual and corporate (\$35M), refunds pending processing/approval (\$23.4M), estimated refunds from tax return extensions (\$9.6M) and credit carry-forwards (\$2.2M).

13. General Fund Deposits from Vendors and Customers increased by \$20.1 million in FY 2021 to \$26.6 million from the \$6.5 million in FY 2020. What is this increase due to?

For FY21 due to implementation of new accounting rules the Fire escrow Fund 7512 and Fund 7510 which were previously categorized as Other-Trust Funds in the "Agency Fund" category are now included in the General Fund financials effective FY21. The financial impact of this change was to increase Deposits from Vendors by 11.2 million. In addition to the changes attributable to the implementation of GASB-84, in FY21 the City also reclassified escheatment funds from accounts payable to properly delineate Vendor deposits, primarily comprised of legacy payments that were escheatable to the State if left unclaimed. The financial impact of this change was to increase Deposits from Vendors by 9.2 million for a total increase of \$20.4 mil including the \$11.2 mil attributed to fund re-categorizations under GASB-84 implementation.

14. General Fund Municipal Income Tax revenue increased by \$26.0 million in fiscal year 2021 to \$316.0 million from the \$290.0 million in fiscal year 2020. Was this increase due to improved enforcement efforts by OCFO? Please provide if there were other factors that contributed to the increase in the Municipal Income Tax revenue.

Yes, the increase was due to new enforcement efforts, such as tax refund offsets, yielding approximately \$45 million in one-time revenue. But for this one-time source, income taxes would have declined vs. FY20, which was otherwise expected due to the impact of the pandemic.

15. General Fund investment earnings were \$3.8 million in FY 2021, a decrease of \$17.4 million from the \$21.1 million in FY 2020. LPD understands the current low interest rate environment and the impact that the COVID-19 pandemic has had on the economy. Please provide OCFO's investment strategy for FY 2022 and beyond.

General Fund investment earnings are recorded in Object 461100. The FY20 total noted above (of \$21.1M) includes "other interest" categories. In FY20, the General Fund investment earnings were \$7.2M and in FY21 the earnings were \$1.3M, a decrease of \$5.9M. The decrease between FY20 and FY21 is attributed to declining interest rates observed globally throughout the year. Public Act 20 of 1943 and the city's investment policy (CFO Directive 2018-101-008) provide the guidelines for Treasury's strategy for investing city dollars. In the following order; Safety (compliance with public acts, statues and policy), Liquidity (ensure city cash needs are met) and Yield (obtaining the best rate of return).

16. General Fund Public Protection expenditures were \$440.8 million in FY 2021, an increase of \$56.6 million from the \$384.3 million in FY 2020. Why did the public protection expenses increase in FY 2021?

General Fund Public Protection expenditures increased in FY 2021 primarily due to increased employee related costs, salaries, wages, and benefits of \$62.2 mil partially offset by decreases of \$2.5 mil and \$2.6 mil in operating supplies/travel and reimbursements respectively.

17. General Fund Development and Management expenditures were \$275.0 million in FY 2021, a \$20.8 million decrease from the \$295.8 million in FY 2020. Why did development and management expenses decrease in FY 2021?

Development and Management expenditures had a significant reduction primarily attributable to decreases in costs related to contracted services \$8.7 mil, Operating supplies and travel \$24.9 mil, partially offset by increases of \$13.4 mil in litigation claims and fees.

18. General Fund Transportation Facilitation expenditures were \$5.9 million in FY 2021 a decrease of \$11.4 million from the \$17.3 million in FY 2020. Why did the transportation facilitation expenses decrease in FY 2021?

The General Fund Transportation Facilitation expenditures were higher in FY20 primarily due to the one-time Municipal Parking Department (MPD) merger transfer entries to the General Fund.

19. General Fund Housing Supply and Conditions expenditures were \$20.2 million in FY 2021, a decrease of \$21.5 million from the \$41.7 million in FY 2020. Why did housing supply and conditions expenses decrease in FY 2021?

The General Fund Housing Supply and Conditions expenditures decrease was primarily in Fund-Appropriation 1003-20253. FY21 saw a decrease in demolition & excavation costs of \$19.7 million and a reduction in personnel costs of \$0.5 mil. These costs are a derivative of the number of active projects.

20. General Fund Capital Outlay expenses were \$13.3 million in FY 2021, a decrease of \$15.6 million from the \$28.8 million in FY 2020. Why did the capital outlay expenses decrease in FY 2021?

Capital outlay expenses in the General Fund decreased mainly due to decreases in vehicle and equipment purchase \$3.7 mil and a reduction in Industrial Land purchases related to a Brownfield Redevelopment Project \$7.1 mil. There was also a major building project of \$4.8 mil for the Northwest Activity Center that occurred and was completed in FY 2020.

21. Primary government restricted net position as of June 30, 2021 shows \$40.5 million restricted for Public Act 152. Is this regarding Michigan Public Act 152 of 2011? We understand PA 152 has been amended few times since 2011, please provide some background on how this amount was calculated.

Act 152 as used in this context refers to the Lawful Internet Gaming ACT 152 of 2019 that was enacted in Michigan to create lawful internet gaming. Per PA 152 the city accrues additional wagering tax revenue when overall wagering tax revenue (all sources) falls under \$183 million in a given City fiscal year and hence the \$40.5 mil restricted net position in FY21 represents that amount as derived from the State FY21 iGaming wagering tax allocations worksheet (total taxes imposed under Section 14 were \$111,453,362 in State FY21). A copy of this worksheet is attached. The accrual is computed as the total tax imposed under Section 14 of Lawful internet Gaming Act of \$111,453,362 times 55% which is the City's proportionate share or \$61.2 mil less lawful internet gaming taxes already directed to the City under Section 15 of approximately \$20.7 mil. Accordingly, the restricted net position for PA 152 as of 6/30/21 agrees to GL account string 1095-9004-359950-405300 which rolls up to Wagering Tax Revenue within the Government Wide statements.

22. Primary government Unearned Revenue liability was \$470.1 at June 30, 2021, an increase of \$427.9 million from the \$42.2 million on June 30, 2020. Is this increase mainly due the \$424.6 million unspent ARPA funds received in FY 2021?

Primary governmental Unearned Revenue for business type activities has remained substantially unchanged at \$25 million. Governmental activities were \$16.2 million in FY20 and increased by \$428.1 mil to \$444.4 mil in FY21. Accordingly, the \$424.6 million represents unspent ARPA funds which constitutes 99.2% of the overall increase.

23. On page 21 of the FY 2021 ACFR, the primary government charges for services revenue was

\$759.5 million at June 30, 2021, a decrease of \$23.7 million from the \$783.2 million at June 30, 2020. Detailed below is a comparison of the various charges for services for FY 2021 and FY 2020.

	<u>FY 2021</u>	<u>FY2020</u>	<u>Difference</u>
Public Protection	80,462,520	79,340,103	1,122,417
Health	1,654,975	1,440,641	214,334
Recreation and Culture	1,846,738	1,442,388	404,350
Economic Development	8,216,676	19,386,799	(11,170,123)
Housing Supply and Conditions	1,707,531	864,612	842,919
Physical Environment	45,787,662	44,372,872	1,414,790
Transportation Facilitation	14,303,892	35,452,937	(21,149,045)
Development and Management	140,938,844	123,827,642	17,111,202
Water	111,783,623	114,814,401	(3,030,778)
Sewer	336,786,647	331,693,766	5,092,881
Transportation	2,739,015	15,116,575	(12,377,560)
Automobile Parking			
Airport	369,861	451,812	(81,951)
Public Lighting Authority	<u>12,944,837</u>	<u>15,026,574</u>	<u>(2,081,737)</u>
Total	759,542,821	783,231,122	(23,688,301)

The following had significant changes in charges for services revenue:

- (1) Economic development \$11.2 million decrease;
- (2) transportation facilitation \$21.1 million decrease;
- (3) development and management \$17.1 increase;
- (4) transportation (DDOT) \$12.4 million decrease.

Please explain the significant changes in the charges for services revenues for FY 2021 compared to FY 2020 charges for services revenues.

- 1) Economic development decrease \$11.2 mil relates to reductions in DBA Capital projects which saw a commensurate decrease in revenue of \$11.1 mil in year over year revenues for DBA-Capital Projects.
- 2) Transportation facilitation decreased income of \$21.1 million is primarily related to reductions in Parking rental income \$14 mil and Parking fines \$4.2 mil.
- 3) Development and Management increased by \$17.1 primarily attributable to an increase in Casino income \$7.5 million, Other reimbursements from DPW of 7.3 mil, and an increase in Employee benefit revenues of 4.5 mil.
- 4) Transportation (DDOT) had a \$12.4 mil decrease. DDOT had a decrease of \$11.2 mil in operating income, and \$1.2 mil in non-Operating income. Operating income decreases were primarily attributed to reduced sales to customers which is reflective of the levels of

economic activity.

24. Primary government operating grants revenue was \$385.9 million for the year ended June 30, 2021, an increase of \$40.2 million from the \$345.7 million for the year ended June 30, 2020. Please explain this increase in operating grants revenue in FY 2021.

The increase in operating grants in FY21 is due to additional Covid-19 related grants awarded for testing and vaccine administration.

25. Primary government capital grants revenue was \$4.7 million for the year ended June 30, 2021, a decrease of \$29.8 million from the \$34.5 million for the year ended June 30, 2020. The decrease in capital grants relates to the Transportation Fund (See page 21 of the FY 2021 ACFR). Please explain this decrease in DDOT's capital grants in FY 2021.

It appears there may be a difference in the mapping in the transportation revenue categories of Operating Grants & Contributions and Capital Grants & Contributions in FY20 and FY21 . The combined total for the two categories is \$90,930,003 for FY20 and \$93,387,079 for FY21 respectively. The total of the combined revenue results in a minimal variance between the two years.

26. Primary government health expenses were \$125.5 million in FY 2021, an increase of \$61.6 million from the \$63.9 million in FY 2020. Was the increase in health expenses due to COVID-19 public health emergency response only?

The \$61.6 mil increase in Health expenses were due to COVID-19 (Fund 3922) public health emergency response activity costs and operating savings in Health Department as regular operations and client service levels were reduced to the pandemic.

27. Primary government economic development expenses were \$72.0 million for the year ended June 30, 2021, a decrease of \$6.8 million from the \$78.8 million for the year ended June 30, 2020. Why did the economic development expenses decrease in FY 2021?

Primary government economic development expenses decrease of \$ 6.8 mil year over year was largely due to a decrease in DBA-capital spending of projects.

28. Primary government transportation facilitation expenses were \$131.5 million for the year ended June 30, 2021, an increase of \$34.6 million from the \$96.8 million for

the year ended June 30, 2020. Why did the transportation facilitation expenses increase in FY 2021?

Approximately \$40 mil of capital outlay expenses were coded in Development and Management in the FY 2020 rather than Transportation in 2021. This was partially offset by an approximately \$6 mil reduction in DPW overall expenditures.

29. Primary government housing supply and conditions expenses were \$20.6 million for the year ended June 30, 2021, a decrease of 21.3 million from the \$41.9 million for the year ended June 30, 2020. Why did the housing supply and conditions expenses decrease in FY 2021?

The \$ 20.6 mil decrease in housing supply and conditions expenses were due to the cost of demolition and excavation services for blight reinvestment projects \$16.5 mil and miscellaneous expenses \$3.8 mil.

30. Primary government development and management expenses were \$481.2 million in FY 2021, an increase of \$9.0 million from the \$472.2 million in FY 2020. Why did development and management expenses increase in FY 2021?

The \$9.0 mil or 2% slight increase in development and management expenses is primarily attributed to activities in the Demolition agency #16 which was established FY2021 of \$7.4 mil and other \$1.6 mil.

31. Primary government interest on long-term debt was \$74.0 million in FY 2021, an increase of \$10.3 million from the \$63.6 million in FY 2020. Why did the interest on long-term debt increase so much in FY 2021?

The interest on debt increased due to two factors; (1) roughly \$5M of the increase was attributed to new debt issuances, including the October 2020 UTGO Bonds, February 2021 UTGO Bonds and a final draw on the 2017 Michigan Transportation Fund. (2) the remaining \$5M increase is due to an annual accounting adjustment to the accrued interest. In FY20, the adjustment was (2,393,834) as accrued interest went down and the FY21 adjustment was 2,892,836 as accrued interest went up (largely due to the new debt issuances).

32. Primary government sewage disposal expenses were \$345.5 million in FY 2021, an increase of \$22.0 million from the \$323.5 million in FY 2020. Why did the Sewage Disposal expenses increase in FY 2021?

\$22 mil increase is primarily comprised of an increase in bad debt expense \$12 mil, operating expenses \$8.5 mil, material supplies and other expenses \$4.8 mil, pension and fringes \$3 mil, which was partially offset by a reduction in contractual services and salaries of \$6.5 mil.

33. Primary government water expenses were \$134.1 million in FY 2021, an increase of \$18.3 million from the \$115.8 million in FY 2020. Why did the water expenses increase in FY 2021?

\$18.3 mil increase is attributed to increases in bad debt expense of \$9.7 mil, pension \$2 mil, other operating expenses and material supplies totaling \$6 mil and interest expense \$2 mil, partially offset by an approximately \$1.6 decrease in other expenditures.

34. Primary government airport expenses were \$4.1 million in FY 2021, an increase of \$3.1 million from the \$1.0 million in FY 2020. Why did the Airport expenses increase in FY 2021?

The Airport expenses increased \$3.1 mil primarily due to an increase in litigation expense accrual of \$4 mil which was partially offset by a decrease in acquisitions \$1.2 mil.

35. On Page 52 of the 2021 ACFR, under Note 1, the second from the last sentence under the description for "Wagering Tax" indicates: "The City accrues additional wagering tax revenue when the gross internet gaming revenue falls under the \$183 million in a fiscal year, in accordance with the Lawful Internet Gaming Act (PA 152 of 2019)." However, based on LPD's inquiry with the OCFO, it appears that the \$183 million threshold test is on all gaming revenue that rolls up to the wagering tax line in the ACFR (i.e., all gaming revenue other than municipal service fees). If the latter is correct, we request that the OCFO make the correction under the "Wagering Tax" footnote in the 2022 ACFR. In addition, the last sentence of the "Wagering Tax" footnote indicates: "In FY 2021, the City accrued approximately \$40 million in additional wagering tax receivable as a result of this provision." However, the OCFO informed LPD that the \$40 million in additional wagering tax revenue will most likely be received by the City after 60 days from June 30, 2021, which means the \$40 million should have been recorded as a deferred inflow of resources rather than as a receivable. If the \$40 million should have been recorded as a deferred inflow of resources, would the adjustment be material enough to make a prior year adjustment in the 2022 CAFR to make this correction?

Based on discussions with the auditors and in accordance with GASB 33, the entire amount of the hold harmless payment (\$40.5M) was recorded as a debit to the receivable (Object 123225) and a credit to deferred inflows (Object 271200) in FY21. No changes/adjustments are needed.

Client: **17150 - Public Lighting Authority**
 Engagement: **21A - Public Lighting Authority**
 Period Ending: **6/30/2021**
 Trial Balance: **TB**
 Workpaper: **FS2 - Financial Statement Groupings**

Account	Description	1st PP-FINAL 6/30/2020	FINAL 6/30/2021	
Group : [100]	Cash and Cash Equivalents			
Subgroup : None				
10100	Chase Checking	5,629,743.49	6,708,642.95	
10211	Wililmington Trust Accounts:10211 -+ Bond Payt Acct -1038603	741,624.90 (B)	245,622.98 (A)	
10301	Fifth Third Bank:10301 -+ Fifth Third Bank Donation Acct	83,818.30	83,818.30	
10303	Fifth Third Bank:10303 -+ Fifth Third Bank Main	3,584,673.31	760,308.30	
Subtotal : None		10,039,860.00	7,798,392.53	
Total [100]	Cash and Cash Equivalents	10,039,860.00	7,798,392.53	
Group : [150]	Investments			
Subgroup : None				
10207	Wililmington Trust Accounts:10207 -+ Bond Construction- 1039349	0.86 (B)	0.86 (A)	
10208	Wililmington Trust Accounts:10208 -+ Reserve Acct - 1039353	12,597,201.98	12,600,587.94	
10209	Wililmington Trust Accounts:10209 -+ Min Interest Acct - 1039354	2,467,324.78	2,467,988.09	
10210	Wililmington Trust Accounts:10210 -+ Min Principal Acct -1039355	810,688.90	810,906.92	
10213	Wililmington Trust Accounts:10213 -+ Interest Acct - 1039351	4,292,833.59	4,204,791.40	
10214	Wililmington Trust Accounts:10214 -+ Principal Acct - 1039352	3,620,306.52	3,800,811.78	
10302	Fifth Third Bank:10302 -+ Fifth Third Bank -M.Market	24,498,953.81	28,529,166.69	
Subtotal : None		48,287,310.44	52,414,253.68	
Total [150]	Investments	48,287,310.44	52,414,253.68	
				Balances Restricted for Bond Payment:
				Σ (A) 24,130,709.97
				Σ (B) 24,529,981.53

**Internet Gaming
Hold Harmless Calculation
FY21 (for City of Detroit Fiscal Year Ending June 30, 2021)**

Type	Name	Tax Type	City of Detroit Fiscal Year												Jul 2021	Aug 2021	Sep 2021
			Jul 2020	Aug 2020	Sep 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	Jun 2021			
Commercial	Greektown	Paid to City of Detroit - Casino Wagering Tax - Michigan Gaming Control and Revenue Act Section 12 ¹	\$ 1,866,382.71	\$ 2,331,659.19	\$ 2,348,171.36	\$ 1,204,580.38	\$ 639,021.55	\$ 2,337,966.52	\$ 2,474,309.22	\$ 3,048,308.19	\$ 2,894,404.24	\$ 2,807,845.63	\$ 2,651,099.27				
Commercial	MGM Grand Detroit	Paid to City of Detroit - Casino Wagering Tax - Michigan Gaming Control and Revenue Act Section 12 ¹	\$ 3,407,990.18	\$ 4,300,170.88	\$ 4,495,119.05	\$ 2,434,178.03	\$ 903,516.16	\$ 4,040,898.09	\$ 4,097,159.38	\$ 5,141,673.18	\$ 5,140,929.87	\$ 5,492,096.76	\$ 5,516,399.21				
Commercial	MotorCity Casino	Paid to City of Detroit - Casino Wagering Tax - Michigan Gaming Control and Revenue Act Section 12 ¹	\$ 2,978,537.99	\$ 3,829,156.80	\$ 4,316,542.20	\$ 2,081,280.60	\$ 1,081,664.77	\$ 3,947,996.06	\$ 3,717,472.28	\$ 5,003,159.08	\$ 4,750,186.20	\$ 4,544,699.60	\$ 4,422,821.65				
Commercial	Greektown	Paid to City of Detroit - Retail Sports Betting Tax - Michigan Gaming Control and Revenue Act Section 12	\$ 25,464.32	\$ 33,379.91	\$ 77,871.70	\$ 29,813.32	\$ 21,272.76	\$ 75,475.03	\$ 5,304.41	\$ 38,137.12	\$ 23,895.76	\$ 29,408.46	\$ 37,850.35				
Commercial	MGM Grand Detroit	Paid to City of Detroit - Retail Sports Betting Tax - Michigan Gaming Control and Revenue Act Section 12	\$ 43,086.17	\$ 96,850.79	\$ 171,584.63	\$ 25,936.38	\$ 35,887.62	\$ 39,890.89	\$ -	\$ 40,111.13	\$ 27,937.20	\$ 18,582.69	\$ 31,436.08				
Commercial	MotorCity Casino	Paid to City of Detroit - Retail Sports Betting Tax - Michigan Gaming Control and Revenue Act Section 12	\$ 22,789.31	\$ 71,959.32	\$ 101,523.79	\$ 52,250.18	\$ 29,845.32	\$ 72,350.06	\$ -	\$ 58,972.90	\$ 19,431.97	\$ 32,792.58	\$ 36,784.72				
Commercial	Greektown	Paid to City of Detroit - Retail Sports Betting Tax - Development Agreement (Additional 1%)	\$ 5,511.76	\$ 7,225.09	\$ 16,855.35	\$ 6,453.10	\$ 4,604.49	\$ 16,336.59	\$ 1,148.14	\$ 8,254.79	\$ 5,172.24	\$ 6,365.47	\$ 8,192.72				
Commercial	MGM Grand Detroit	Paid to City of Detroit - Retail Sports Betting Tax - Development Agreement (Additional 1%)	\$ 9,326.01	\$ 20,963.38	\$ 37,139.53	\$ 5,613.72	\$ 7,767.88	\$ 8,634.39	\$ -	\$ 8,682.06	\$ 6,047.01	\$ 4,022.23	\$ 6,804.35				
Commercial	MotorCity Casino	Paid to City of Detroit - Retail Sports Betting Tax - Development Agreement (Additional 1%)	\$ 4,932.75	\$ 15,575.61	\$ 21,974.85	\$ 11,309.56	\$ 6,460.03	\$ 15,660.19	\$ -	\$ 12,764.70	\$ 4,206.05	\$ 7,097.96	\$ 7,962.06				
Commercial	Greektown	Paid to City of Detroit - Internet Sports Betting Tax - Development Agreement (Additional 1%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,982.46	\$ -	\$ 22,809.94	\$ 11,752.93	\$ 7,373.94	\$ 14,531.86				
Commercial	MGM Grand Detroit	Paid to City of Detroit - Internet Sports Betting Tax - Development Agreement (Additional 1%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,952.53	\$ 63,784.87	\$ 37,833.11	\$ 27,443.45	\$ 41,935.10				
Commercial	MotorCity Casino	Paid to City of Detroit - Internet Sports Betting Tax - Development Agreement (Additional 1%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,615.39	\$ 81,005.04				
Commercial	Greektown	Paid to City of Detroit - Internet Gaming Act - Development Agreement (Additional 1%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,055.01	\$ 34,724.95	\$ 30,564.25	\$ 30,185.26	\$ 25,592.94				
Commercial	MGM Grand Detroit	Paid to City of Detroit - Internet Gaming Act - Development Agreement (Additional 1%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 110,759.80	\$ 269,122.68	\$ 307,928.15	\$ 368,134.68	\$ 360,899.04	\$ 162,162.93			
Commercial	MotorCity Casino	Paid to City of Detroit - Internet Gaming Act - Development Agreement (Additional 1%)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,703.61	\$ 149,174.81	\$ 170,315.07	\$ 141,037.20	\$ 146,832.04	\$ 133,515.59			
Commercial	Greektown	Paid to City of Detroit - Internet Sports Betting Tax - Lawful Sports Betting Act Section 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,795.80	\$ -	\$ 57,481.05	\$ 29,617.37	\$ 18,582.34	\$ 36,620.30			
Commercial	MGM Grand Detroit	Paid to City of Detroit - Internet Sports Betting Tax - Lawful Sports Betting Act Section 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,360.37	\$ 160,737.86	\$ 95,339.45	\$ 69,157.48	\$ 105,676.45			
Commercial	MotorCity Casino	Paid to City of Detroit - Internet Sports Betting Tax - Lawful Sports Betting Act Section 15	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,350.79	\$ 204,132.71			
Commercial	Greektown	Total Calculated Tax - Internet Gaming Act - Tax Imposed Under Section 14 of Lawful Internet Gaming Act	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 955,210.21	\$ 767,508.82	\$ 758,230.33	\$ 829,875.60	\$ 716,602.34	\$ 668,697.05	\$ 641,078.85	\$ 993,567.75	
Commercial	MGM Grand Detroit	Total Calculated Tax - Internet Gaming Act - Tax Imposed Under Section 14 of Lawful Internet Gaming Act	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,439,754.90	\$ 7,516,954.57	\$ 8,621,988.21	\$ 10,307,771.07	\$ 10,105,173.15	\$ 4,540,562.04	\$ 8,527,241.94	\$ 10,009,757.33	\$ 10,230,328.43
Commercial	MotorCity Casino	Total Calculated Tax - Internet Gaming Act - Tax Imposed Under Section 14 of Lawful Internet Gaming Act	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,233,479.50	\$ 3,935,116.42	\$ 4,768,821.92	\$ 3,949,041.53	\$ 4,111,297.04	\$ 3,738,436.46	\$ 3,622,153.69	\$ 3,585,478.74	\$ 3,879,234.12
Commercial	Greektown	Paid to City of Detroit - Internet Gaming Tax - Lawful Internet Gaming Act Section 15 (1)(a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 286,563.06	\$ 230,252.65	\$ 227,469.10	\$ 248,962.68	\$ 214,980.70				
Commercial	MGM Grand Detroit	Paid to City of Detroit - Internet Gaming Tax - Lawful Internet Gaming Act Section 15 (1)(a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 731,926.47	\$ 2,255,086.37	\$ 2,586,596.46	\$ 3,092,331.32	\$ 3,031,551.95	\$ 1,362,168.61			
Commercial	MotorCity Casino	Paid to City of Detroit - Internet Gaming Tax - Lawful Internet Gaming Act Section 15 (1)(a)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 370,043.85	\$ 1,180,534.93	\$ 1,430,646.58	\$ 1,184,712.46	\$ 1,233,389.11	\$ 1,121,530.94			

Is there a shortfall in preceding FY?	
City of Detroit Required Amount ²	\$ 183,000,000.00
Less: Lawful Internet Gaming Act Section 15 (1)(a)	\$ (20,788,747.23)
Less: Michigan Gaming Control and Revenue Act Section 12 ²	\$ (111,984,336.20)
Less: Lawful Sports Betting Act Section 15	\$ (1,045,851.98)
Less: All Other Existing Development Agreements with Internet Gaming Operators	\$ (2,962,728.63)
Shortfall	\$ 46,218,335.96

If there is a shortfall, how much does MGCB distribute to City of Detroit?	
	<i>State Fiscal Year</i>
Total Tax Imposed Under Section 14 of Lawful Internet Gaming Act	\$ 111,453,362.01
55% of Total Tax Imposed Under Section 14 of Lawful Internet Gaming Act	\$ 61,299,349.11
Less: Lawful Internet Gaming Act Section 15 (1)(a)	\$ (20,788,747.23)
Maximum Amount Due to City of Detroit	\$ 40,510,601.87

¹Includes Casino Gaming Development Agreements

²Hold Harmless Language from Lawful Internet Gaming Act, 432.315 Allocation of Tax, Sec. 15. (2):

By September 30, 2020 and each September 30 after that date, if the combined amount of money received in the preceding city fiscal year by the city in which the internet gaming operator's casino is located from money allocated under subsection (1)(a), from the wagering tax allocated under section 12 of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.212, from the wagering tax allocated under section 15 of the lawful sports betting act, and all payments received under existing development agreements with internet gaming operators, is less than \$183,000,000.00, the board shall distribute from the fund to the city in which the internet gaming operator's casino is located an amount equal to the difference between \$183,000,000.00 and the combined amount of money the city in which the internet gaming operator's casino is located received in the preceding fiscal year from money allocated under subsection (1)(a), from the wagering tax allocated under section 12 of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.212, from the wagering tax allocated under section 15 of the lawful sports betting act, and all payments received by the city under existing development agreements with internet gaming operators. The calculations set forth in this subsection must not include any payments made under section 14(5) or any payments made under section 13(1) of the Michigan Gaming Control and Revenue Act, 1996 IL 1, MCL 432.213, or any payments made under section 14(5) of the lawful sports betting act. However, the total amount the city in which the internet gaming operator's casino is located receives for the preceding fiscal year under subsection (1)(a) and this subsection must not be more than 55% of the total received from the tax imposed under section 14 in the state fiscal year.

³Includes Retail Sports Betting Payments