



DETROIT METRO • WILLOW RUN
WAYNE COUNTY AIRPORT AUTHORITY

DECEMBER 31, 2019



W A Y N E C O U N T Y A I R P O R T A U T H O R I T Y

2019 STUB PERIOD FINANCIAL REPORT

FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2019 – DETROIT, MICHIGAN

WAYNE COUNTY AIRPORT AUTHORITY

Detroit, Michigan

Financial Report

Three-Month Period Ended December 31, 2019

Prepared by:
Controller's Office



Table of Contents

	Page(s)
Financial Section	
Independent Auditor’s Report	1 – 3
Management Discussion and Analysis	4 – 12
Basic Financial Statements:	
Business-Type Activities:	
Statement of Net Position	13 – 14
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16 – 17
Fiduciary Fund:	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
Notes to Basic Financial Statements	20 – 62
Required Supplementary Information:	
Wayne County Airport Authority Defined Benefit Plan:	
Schedule of Changes in the Net Pension Liability and Related Ratios, Schedule of Contributions and Notes to Required Supplementary Information	63 – 64
Wayne County Airport Authority Retiree Health Care Plan:	
Schedule of Changes in the Net Other Postemployment Benefit Liability and Related Ratios, Schedule of Contributions and Notes to Required Supplementary Information	65 – 66
Continuing Disclosure (Unaudited):	
Documents Incorporated by Reference	67
Table 1 – Debt Service Requirements and Coverage	68
Table 2 – Operation and Maintenance Expenses	69
Table 3 – Operating Revenues	70
Table 4 – Application of Revenues	71



Table of Contents

	Pages(s)
Table 5 – Net Revenues and Debt Service Coverage	72
Table 6 – Historical Airline Passenger Enplanements	73
Table 7 – Historical Comparative Total Enplanements	74
Table 8 – Historical Airline Departures	75
Table 9 – Historical Domestic Originations and Connections	76
Table 10 – Historical Airline Market Shares	77 – 78
Table 11 – Historical Airline Cargo	79
Table 12 – Historical Aircraft Landed Weight	80 – 81
Table 13 – Historical Aircraft Operations	82
Table 14 – Historical Aviation Demand Statistics	83
Table 15 – Nonstop International Destinations Added and Dropped	84
Table 16 – Historical Operating Results	85
Table 17 – Top 20 Domestic O&D Markets	86
Table 18 – Top 20 International O&D Markets	87
Compliance Section	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	88 – 89
Independent Auditor’s Report on Compliance for the Major Federal Program and Passenger Facility Charge Program; Report on Internal Control Over Compliance as required by Uniform Guidance and the Passenger Facility Charge Audit Guide for Public Agencies	90 – 92
Schedule of Expenditures of Federal Awards	93
Notes to Schedule of Expenditures of Federal Awards	94
Schedule of Findings and Questioned Costs	95
Schedule of Passenger Facility Charge Revenues and Expenditures	96



Table of Contents

	Pages(s)
Notes to Schedule of Passenger Facility Charge Revenues and Expenditures	97

Independent Auditor's Report

To the Board of Directors
Wayne County Airport Authority

Report on the Financial Statements

We have audited the accompanying financial statements of each major fund and the aggregate remaining funds of the Wayne County Airport Authority (the "Authority") as of and for the three-month period ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Wayne County Airport Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining funds of the Wayne County Airport Authority as of December 31, 2019 and the respective changes in its financial position and, where applicable, cash flows for the three-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As explained in the Summary of Significant Accounting Policies in the notes to the financial statements, the Authority adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which resulted in the Authority including its Postemployment Health Benefits Trust Fund as a fiduciary fund in the Authority's financial statements. Our opinion is not modified with respect to this matter.

To the Board of Directors
Wayne County Airport Authority

As disclosed in Note 15 to the financial statements, the Authority approved a change in its year end from September 30 to December 31. As a result, these financial statements present the respective financial position of each major fund of the Wayne County Airport Authority as of December 31, 2019 and the respective changes in its financial position and, where applicable, cash flows for the three-month period then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and the required supplemental information, as identified in the table of contents, 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 supplemental 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Wayne County Airport Authority's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the schedule of passenger facility charge revenues and expenditures, as required by the *Passenger Facility Charge Audit Guide for Public Agencies*; and the continuing disclosure section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of passenger facility charge revenues and expenditures are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of passenger facility charge revenues and expenditures are fairly stated in all material respects in relation to the basic financial statements as a whole.

The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Directors
Wayne County Airport Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2020 on our consideration of the Wayne County Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Wayne County Airport Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 27, 2020



The following discussion and analysis provide an overview of the financial performance and activities of the Wayne County Airport Authority (the Authority) as of and for the three-month period ended December 31, 2019, with selected comparative information for the three-month period ended December 31, 2018. This discussion and analysis has been prepared by the Authority's management and should be read in conjunction with the basic financial statements and notes thereto, which follow this section.

The Authority is a business-type entity and, as such, the basic financial statements consist of three statements and notes to the basic financial statements. The three basic statements are: (a) Statement of Net Position, which presents the assets, liabilities, deferred inflows and outflows of resources and net position of the Authority as of the end of the fiscal period (b) Statement of Revenues, Expenses, and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal period and (c) Statement of Cash Flows, which provides information on all the cash inflows and outflows for the Authority by major category during the fiscal period. The Authority includes a Postemployment Health Benefits Trust Fund (Fiduciary Fund) to account for postemployment healthcare benefits earned by qualified employees.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S.) as promulgated by the Governmental Accounting Standards Board (GASB).

The financial statements include the operations of Detroit Metropolitan Wayne County Airport (DTW), including the Airport Hotel (the Airport), and Willow Run Airport.

The Airport Funding Methodology

Funding for the Airport's operations is predicated upon the stipulations in the Airport Use and Lease Agreements (the agreements) between the Authority and the Airlines. The agreements set the terms of the business relationship between the Authority and the Airlines. Key terms in the agreements include rental rates, activity fee methodology, cost center, etc. Once an airline signs an agreement, they are designated a "Signatory Airline." The agreements also determine the budget and financing (activity fee) methodology that the Authority and Airlines agree to follow. Airport budget methodologies throughout the United States are usually characterized as either compensatory or residual, although some airports have a hybrid methodology that combines both features.

The Airport operates under a residual methodology. The methodology places additional risk on the Airlines as these Airlines guarantee the net cost of operating the entire Airport. This obligation includes operating expenses and all debt service requirements of the Airport. If the Airport incurs a deficit in a particular year, it has the ability to increase rates to all Airlines up to the amount of the deficit. Conversely, if the Airport realizes a surplus, the Airport must refund the surplus to all the Airlines. The total amount to be charged or refunded is based on a pro rata allocation between the Signatory Airlines and the Non-Signatory Airlines, which reflects the same ratio as the ratio of total activity fees paid by each group.

The residual methodology agreed upon by the Signatory Airlines and the Authority creates a funding mechanism that is not congruent with financial statement reporting standards. Although the Airlines are required to fund any deficit of the Airport, this deficit is not equivalent to "Operating Loss" or any other designation on the financial statements. Since the Airport utilizes the residual methodology, all annual operating costs and debt service requirements of the Airport have been funded.



Financial Highlights

For the three-month period ended December 31, 2019, operating revenues, which are comprised of airline and non-airline revenues, increased \$1.0 million (1.0 percent) as compared to the same three-month period in the prior year. Airline revenues decreased by \$2.3 million (4.9 percent) period-over-period primarily due to a \$2.0 million reduction in terminal building rentals. Non-airline revenues increased by \$3.2 million (6.2 percent) period-over-period primarily due to increases in parking fee revenue (\$1.7 million), hotel revenue (\$1.3 million) and ground transportation revenue (\$0.3 million).

Operating expenses are \$11.8 million (12.5 percent) higher than same three-month period in the prior year. This increase is primarily attributed to an increase in salaries, wages and fringe benefits (\$6.0 million) and professional and contractual services (\$3.4 million).

Nonoperating revenues increased by \$0.7 million (2.9 percent) over the same three-month period in the prior year. This increase was the result of an increase in customer facility charge revenue (\$2.5 million) and a decrease in interest income (\$1.5 million). Nonoperating expenses decreased by \$1.9 million (8.2 percent) due to a decrease in interest expense (\$0.7 million) and a decrease in losses realized on the disposal of assets (\$1.2 million).

Statement of Net Position

The Statement of Net Position includes all assets, liabilities, deferred inflows and outflows of resources and the resulting net position. Assets and liabilities are generally measured using current values. One exception is capital assets, which are stated at historical cost less an allowance for depreciation. The condensed summary of the Authority's net position as of December 31, 2019 and December 31, 2018 is as follows:



MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2019

	Dec. 31, 2019	(Unaudited) Dec. 31, 2018
	(000's)	(000's)
Assets:		
Current unrestricted assets	\$ 283,172	\$ 216,009
Restricted assets	277,660	458,489
Capital assets (net)	2,023,484	1,920,657
Other assets	1,144	1,155
Total assets	<u>2,585,460</u>	<u>2,596,310</u>
Deferred Outflows:	<u>30,913</u>	<u>45,155</u>
Liabilities:		
Current liabilities	84,859	47,370
Liabilities payable from restricted assets	120,597	105,843
Long-term liabilities	2,189,557	2,328,487
Total liabilities	<u>2,395,013</u>	<u>2,481,700</u>
Deferred Inflows:	<u>8,582</u>	<u>5,139</u>
Net Position:		
Net investment in capital assets	(58,877)	(83,492)
Restricted	276,649	249,541
Unrestricted	(4,994)	(11,423)
Total Net Position	<u>\$ 212,778</u>	<u>\$ 154,626</u>

Current unrestricted assets, which primarily consists of cash and investments, accounts receivable and amounts due from other governmental units, increased \$67.2 million year-over-year. This increase can be attributed to increases in unrestricted cash and investments (\$32.5 million) and amounts due from other governmental units (\$29.3 million). The \$32.5 million increase in unrestricted cash and investments is primarily the result of a \$28.2 million increase in Customer Facility Charge (CFC) cash resulting from an adjustment in CFC rates from \$1.00 to \$5.50 per transaction day beginning in November 2018. The \$29.3 million increase in amounts due from other governmental units is the result of grant revenue obtained through the Federal Aviation Administration Airport Improvement Program for the reconstruction of Runway 3L/21R and the reconstruction of Taxiway M.

Restricted assets consist of cash and investments and accounts receivable which are restricted for debt service and bonded construction. Restricted assets decreased approximately \$180.8 million over the prior year, as proceeds from airport revenue bonds were used to pay capital costs. All cash and investments of the Authority are invested according to legal requirements established by the legislature of the State of Michigan. In accordance with State law, investments are restricted to various U.S. government securities, certificates of deposit, commercial paper and repurchase agreements.



Other assets consist primarily of prepaid bond insurance premiums, net of related amortization. Deferred outflows of resources represent the consumption of net position in one period that is applicable to future periods. They are reported separately from assets and consist of the deferred amount on debt refunding and deferred outflows related to pensions and other post-employment benefits (OPEB).

In accordance with the terms of applicable ordinances, the Authority is required to restrict assets for various purposes. The components of net position have been restricted related to certain restrictions on the use of those assets. Net position has been restricted for operations and maintenance, replacement and improvements, construction, bond and interest redemption, passenger facility charges, customer facility charges and drug enforcement.

Current liabilities consist mainly of accounts payable, payroll-related liabilities, self-insurance liabilities, accrued vacation and sick time, amounts due to other governmental units and security/performance deposits. Long-term liabilities consist primarily of long-term debt, net pension liability, net OPEB liability, other accrued liabilities and amounts due to other governmental units. Current liabilities increased by \$37.5 million from the prior year due to an increase in accounts payable of \$39.0 million, less minor reductions in other current liabilities. The increase in accounts payable was the result of increased construction activity associated with the reconstruction of runway 3L/21R, the construction of additional gates at the North Terminal, and various airfield pavement repairs.

Long-term liabilities decreased approximately \$138.9 from December 31, 2018 to December 31, 2019. The decrease was a result of cash payments on debt of approximately \$100.6 million, a reduction in net pension liability of \$13.0 million, a reduction in net OPEB liability of \$6.9 million, and amortization of bond premiums of \$12.9 million. Deferred inflows of resources represent an acquisition of net position that is applicable to future periods, and increased \$3.4 million. The change was a result of a \$6.7 million increase in deferred inflows resulting from differences between expected and actual experience from OPEB activities, and a \$3.3 million decrease in the difference between projected and actual earning on pension plan investments.

Total net position at December 31, 2019 was \$212.8 million, which is an increase in net position of \$58.2 million from December 31, 2018. The increase is primarily the result of net non-operating revenues of \$24.1 million and capital contributions of \$34.0 million. A total of \$276.6 million of the Airport's December 31, 2019 net position is restricted for future debt service, capital construction and replacement, bond and interest redemption and passenger facility charges, subject to federal regulations. Net investment in capital assets was a negative \$58.9 million and represents land, intangible assets, buildings, improvements and equipment, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition of, construction or improvement of those assets. The Authority reported a negative unrestricted net position of \$5.0 million.



Capital Assets and Long-Term Debt Activity

The Authority is authorized to issue airport revenue bonds to finance the cost of capital projects and include the debt service on such bonds in the fees and charges of the Signatory Airlines only after receiving approval of a Weighted Majority for such capital projects. As of December 31, 2019, the Authority had approximately \$2.2 billion in outstanding bonds and other debt, both senior and subordinate, paying fixed and variable rates. The total debt service (principal and interest) for the three-month period ending December 31, 2019 was approximately \$146.3 million and long-term debt amounting to \$100.6 million was paid off. More detailed information on capital assets and long-term debt activity can be found in Notes 7 and 8 included in the Notes to Basic Financial Statements section of this report.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the operating results of the Authority, as well as the nonoperating revenues and expenses. Operating revenues include both airline and non-airline revenues and consist primarily of landing and related fees, terminal building rental and fees, parking fees, concession fees, car rental and hotel revenues. Nonoperating revenues consist primarily of passenger facility charges, federal and state sources and interest income. Interest expense is the most significant nonoperating expense. A summarized comparison of the Authority's revenues, expenses, and changes in net position for the three-month periods ended December 31, 2019 and December 31, 2018 follows:



MANAGEMENT DISCUSSION AND ANALYSIS

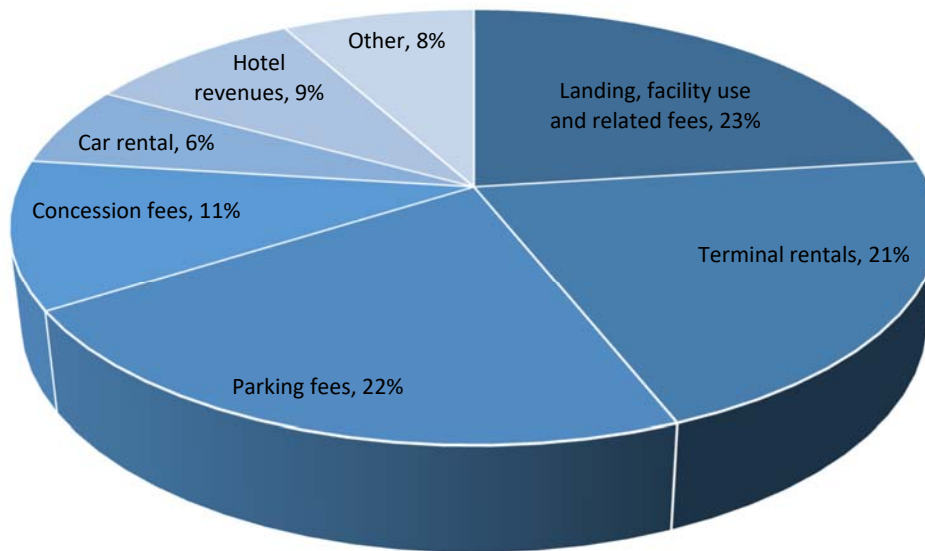
December 31, 2019

	Three Months Ended Dec. 31, 2019 (000's)	(Unaudited) Three Months Ended Dec. 31, 2018 (000's)
Operating revenues:		
Airline revenues:		
Airport landing and related fees	\$ 20,431	\$ 20,603
Terminal building rentals and fees	21,394	23,435
Facility use fees	2,207	2,261
Non-airline revenues:		
Parking fees	21,834	20,133
Concession fees	10,686	10,459
Car rental	6,104	6,394
Hotel	8,816	7,491
Other	8,212	7,939
Total operating revenues	<u>99,684</u>	<u>98,715</u>
Operating expenses:		
Salaries, wages, and fringe benefits	31,450	25,455
Parking management	1,823	1,704
Hotel management	5,534	4,821
Depreciation	31,625	30,838
Professional and contractual services	9,390	6,005
Utilities	5,362	5,517
Building, ground, equipment maintenance	9,273	9,040
Other	11,718	10,963
Total operating expenses	<u>106,175</u>	<u>94,343</u>
Operating gain (loss)	(6,491)	4,372
Nonoperating revenues (expense):		
Passenger facility charges	16,415	16,996
Other nonoperating revenues	10,039	8,713
Interest expense	(20,711)	(21,371)
Other nonoperating expenses	(16)	(1,218)
Net nonoperating revenues	<u>5,727</u>	<u>3,120</u>
Net gain (loss) before capital contribution	(764)	7,492
Capital Contribution	<u>1,125</u>	<u>741</u>
Changes in net position	361	8,233
Net position, beginning of the period	<u>212,417</u>	<u>146,393</u>
Net position, end of the period	<u>\$ 212,778</u>	<u>\$ 154,626</u>



Operating Revenues

The chart below illustrates the sources of total operating revenue for the three-month period ended December 31, 2019:



Operating revenues, which can be further sub-categorized as airline and non-airline revenues, increased by 1.0 percent or \$1.0 million to \$99.7 million.

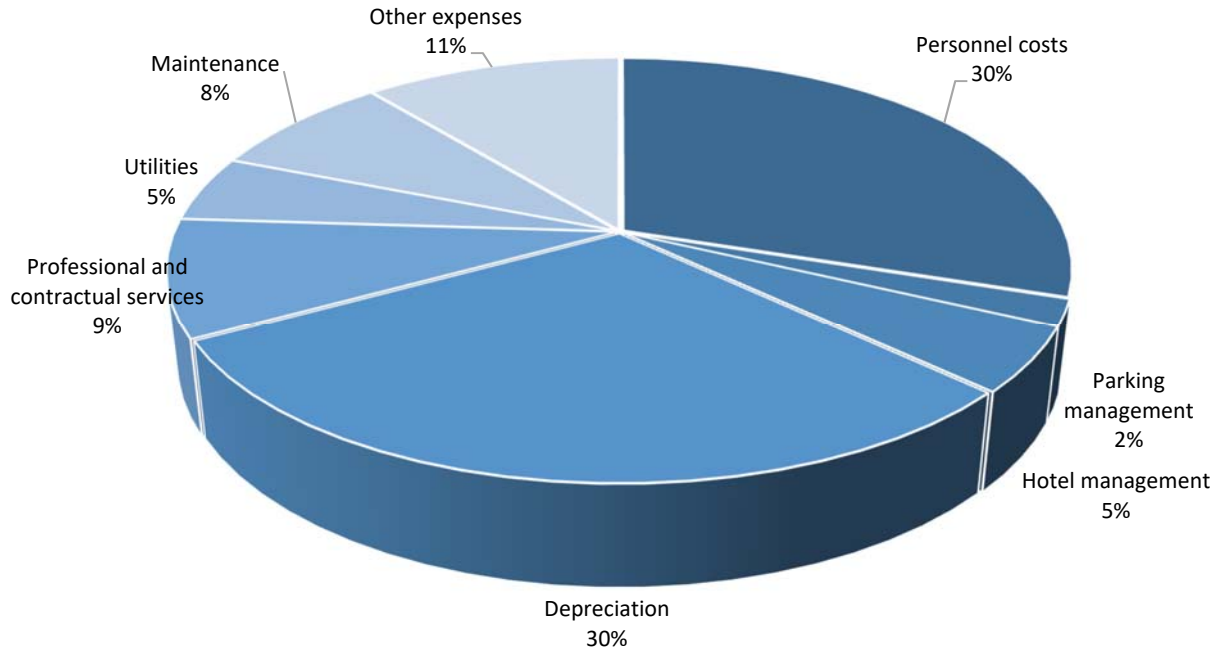
Airline revenues, which consists of terminal rentals, landing fees and facility use fees decreased by \$2.3 million or 4.9 percent to \$44.0 million. The change was primarily attributable to a \$2.0 million decrease in terminal rental revenue, which was the result of lower terminal rental rates in the three-month period ended December 31, 2019 as compared to the same three-month period in 2018.

Non-Airline revenues includes revenue collected for activities that are not specifically aviation related. In the three-month period ended December 31, 2019, total non-Airline operating revenues increased by \$3.2 million or 6.2 percent from the same period in 2018 to \$55.7 million. This growth was largely due to increases in parking revenue, hotel revenue and ground transportation revenue. Parking revenue increased \$1.7 million (8.4 percent) over 2018 due to a change in parking rates and growth in originating passenger enplanements. Hotel revenue was also boosted by passenger growth with revenue increasing by \$1.3 million (17.7 percent). Ground transportation revenue increased \$0.3 million (9.4 percent) due to the continued growth of transportation network companies (TNC's), Uber and Lyft.



Operating Expenses

The chart below illustrates the sources of total operating expenses for the three-month period ended December 31, 2019:



Operating expenses increased by \$11.8 million or 12.5 percent to \$106.2 million. The expense categories which had significant increases were salaries, wages and fringe benefits (\$6.0 million) and professional and contractual services (\$3.4 million).

Salaries, wages and fringe benefits totaled \$31.5 million for the three-month period ended December 31, 2019, as compared to \$25.4 million for the three-month period ended December 31, 2018. The increase is attributable to changes in net pension liabilities occurring between December 31, 2018 and December 31, 2019.

Professional and contractual services totaled \$9.4 million for the three-month period ended December 31, 2019, as compared to \$6.0 million for the three-month period ended December 31, 2018. The change in the result of an increase in landscaping costs of \$1.5 million as the Authority completed landscaping projects on Lucas Drive and Rogell Drive, an increase of \$0.5 million in snow removal costs due to increased snow fall in November and December of 2019 as compared to November and December of 2018, and an increase of \$0.8 million in engineering and architectural services resulting from increased construction activity in calendar year 2019.



Nonoperating Revenues, Expenses and Contributed Capital

Nonoperating revenue was essentially flat, with a small increase of \$0.7 million resulting from an increase in customer facility charges of \$2.5 million and a decrease in interest income of \$1.5 million. The increase in CFCs is due to the rate increasing from \$1.00 to \$5.50 per transaction day, instituted in November 2018. The decrease in interest income is a result of reduced cash balances resulting from capital construction activities.

Nonoperating expense decreased \$1.9 million, as losses of \$1.2 million realized on the disposal of assets in the three-month period ended December 31, 2018 did not recur in the three-month period ended December 31, 2019. In addition, interest expense decreased \$0.7 million.

Economic Conditions

The Authority utilizes a mix of airline and non-airline revenue to off-set the cost of operating the Airport. Airline and non-airline revenue are either derived from or are significantly impacted by demand for air transportation and the operations of the Airlines meeting this demand at the Airport. Changes in economic conditions which impact passenger traffic and aviation activity may be reflected in the airline and non-airline revenue realized by the Authority. As a residual Airport, should economic conditions create a reduction in revenue resulting in a deficit between revenues and expenses, the Authority has the ability to increase rates charged to all Airlines up to the amount of the deficit. Conversely, should revenues exceed expenses, the excess is returned to the Airlines.

In calendar year 2020 economic conditions in the State of Michigan, the United States, and countries throughout the world have been impacted by the spread of a new strain of coronavirus (“COVID-19”). The virus, and the restrictions placed upon the movement of individuals by many governmental entities to limit the spread of the virus, have caused disruption in aviation activity and passenger traffic at the Authority and at airports around the world.

To provide economic aid to those industries and individuals impacted by COVID-19, Congress passed and the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (Cares Act). The Cares Act includes \$10 billion from the federal general fund for airports to prevent, prepare for, and respond to COVID-19. The Authority expects to be eligible for grant revenue through the Cares Act of approximately \$142 million for DTW and \$157,000 for Willow Run Airport.

The ultimate impact of the virus upon the economy as a whole and upon the Authority is not known at this time. The Authority continues to monitor the situation and it’s continued economic impact.

WAYNE COUNTY AIRPORT AUTHORITY

Statement of Net Position

December 31, 2019

	Detroit Metropolitan Airport Fund	Willow Run Airport Fund	Total
Assets:			
Current assets:			
Cash and investments (note 4)	\$ 219,258,168	\$ 543,384	\$ 219,801,552
Accounts receivable, less allowance (note 2)	26,161,201	285,315	26,446,516
Due from other governmental units	34,123,928	—	34,123,928
Due from other funds	230,975	1,036,604	1,267,579
Prepays and deposits	1,510,037	22,760	1,532,797
	<u>281,284,309</u>	<u>1,888,063</u>	<u>283,172,372</u>
Total current assets			
Restricted assets (notes 4 and 6):			
Cash and investments	276,938,426	—	276,938,426
Accounts receivable	720,957	—	720,957
Capital assets (note 7):			
Capital assets not being depreciated	321,921,794	20,197,072	342,118,866
Capital assets being depreciated	3,818,590,332	167,254,220	3,985,844,552
	<u>4,140,512,126</u>	<u>187,451,292</u>	<u>4,327,963,418</u>
Total capital assets			
Less accumulated depreciation	<u>2,188,875,606</u>	<u>115,603,635</u>	<u>2,304,479,241</u>
	<u>1,951,636,520</u>	<u>71,847,657</u>	<u>2,023,484,177</u>
Net capital assets			
Other assets:			
Prepays and deposits	481,326	—	481,326
Prepaid bond insurance premiums (note 2)	662,846	—	662,846
	<u>2,230,440,075</u>	<u>71,847,657</u>	<u>2,302,287,732</u>
Total noncurrent assets			
	<u>\$ 2,511,724,384</u>	<u>\$ 73,735,720</u>	<u>\$ 2,585,460,104</u>
Total assets			
Deferred outflows of resources:			
Deferred amount on refunding (note 2)	\$ 17,749,228	\$ —	\$ 17,749,228
Deferred outflows from pensions (note 10)	9,527,830	144,297	9,672,127
Deferred outflows from other postemployment benefits (note 11)	3,432,814	59,367	3,492,181
	<u>\$ 30,709,872</u>	<u>\$ 203,664</u>	<u>\$ 30,913,536</u>
Total deferred outflows of resources			

See accompanying notes to basic financial statements.

(continued)

WAYNE COUNTY AIRPORT AUTHORITY

Statement of Net Position

December 31, 2019

	<u>Detroit Metropolitan Airport Fund</u>	<u>Willow Run Airport Fund</u>	<u>Total</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 56,804,320	\$ 1,115,636	\$ 57,919,956
Accrued wages and benefits	4,288,826	75,860	4,364,686
Due to other governmental units	2,060,830	—	2,060,830
Due to other funds	1,036,604	230,975	1,267,579
Advance billings and payments received in advance	2,651,873	18,511	2,670,384
Bonds payable and other debt (note 8)	513,596	55,000	568,596
Other accrued liabilities	<u>15,675,315</u>	<u>331,200</u>	<u>16,006,515</u>
Total current liabilities	<u>83,031,364</u>	<u>1,827,182</u>	<u>84,858,546</u>
Payable from restricted assets:			
Accrued interest and other payables	21,131,983	—	21,131,983
Bonds payable and other debt (note 8)	99,465,000	—	99,465,000
Other accrued liabilities	260,770	940,200	1,200,970
Payments received in advance	47,028	2,000	49,028
Due to other governmental units (note 12)	4,395,000	—	4,395,000
Net pension liability (note 10)	45,253,222	869,749	46,122,971
Net other postemployment benefit liability (note 11)	48,964,825	846,798	49,811,623
Bonds payable and other debt, net (note 8)	<u>2,087,592,758</u>	<u>385,000</u>	<u>2,087,977,758</u>
Total noncurrent liabilities	<u>2,307,110,586</u>	<u>3,043,747</u>	<u>2,310,154,333</u>
Total liabilities	\$ <u>2,390,141,950</u>	\$ <u>4,870,929</u>	\$ <u>2,395,012,879</u>
Deferred inflows of resources:			
Deferred inflows from other postemployment benefits (note 11)	\$ <u>8,436,767</u>	\$ <u>145,905</u>	\$ <u>8,582,672</u>
Net position:			
Net investment in capital assets	\$ (130,724,653)	\$ 71,847,657	\$ (58,876,996)
Restricted for:			
Capital assets	46,281,229	—	46,281,229
Debt service	183,035,219	—	183,035,219
Operations	45,223,245	—	45,223,245
Drug enforcement	2,109,226	—	2,109,226
Unrestricted (deficit)	<u>(2,068,727)</u>	<u>(2,925,107)</u>	<u>(4,993,834)</u>
Total net position	\$ <u>143,855,539</u>	\$ <u>68,922,550</u>	\$ <u>212,778,089</u>

See accompanying notes to basic financial statements.

WAYNE COUNTY AIRPORT AUTHORITY

Statement of Revenues, Expenses, and Changes in Net Position

Three-Month Period Ended December 31, 2019

	<u>Detroit Metropolitan Airport Fund</u>	<u>Willow Run Airport Fund</u>	<u>Total</u>
Operating revenues:			
Airline revenues:			
Airport landing and related fees	\$ 20,213,057	\$ 217,914	\$ 20,430,971
Terminal building rentals and related fees	21,346,947	47,449	21,394,396
Facility use fees	2,116,386	90,767	2,207,153
Nonairline revenues:			
Parking fees	21,833,720	—	21,833,720
Concession fees	10,686,331	—	10,686,331
Car rental	6,103,867	—	6,103,867
Hotel	8,816,337	—	8,816,337
Employee shuttle bus	773,732	—	773,732
Ground transportation	3,132,819	—	3,132,819
Utility service fees	1,165,028	26,168	1,191,196
Rental facilities	1,015,262	253,287	1,268,549
Other	1,613,645	232,179	1,845,824
Total operating revenues	<u>98,817,131</u>	<u>867,764</u>	<u>99,684,895</u>
Operating expenses:			
Salaries, wages, and fringe benefits	30,991,574	458,470	31,450,044
Parking management	1,822,857	—	1,822,857
Hotel management	5,534,138	—	5,534,138
Shuttle bus services	1,946,107	—	1,946,107
Janitorial services	4,119,556	8,823	4,128,379
Security	1,553,162	—	1,553,162
Professional and other contractual services	8,879,229	510,764	9,389,993
Utilities	5,195,702	166,467	5,362,169
Buildings and grounds maintenance	3,719,629	295,613	4,015,242
Equipment repair and maintenance	5,216,273	41,865	5,258,138
Materials and supplies	2,181,718	40,618	2,222,336
Insurance	459,634	8,056	467,690
Other	1,388,060	12,306	1,400,366
Depreciation	30,530,482	1,094,636	31,625,118
Total operating expenses	<u>103,538,121</u>	<u>2,637,618</u>	<u>106,175,739</u>
Operating loss	<u>(4,720,990)</u>	<u>(1,769,854)</u>	<u>(6,490,844)</u>
Nonoperating revenues (expenses):			
Passenger facility charges	16,415,341	—	16,415,341
Customer facility charges	5,726,133	—	5,726,133
Federal and state sources	1,783,827	—	1,783,827
Net insurance recovery	216,864	—	216,864
Interest income	2,310,699	1,575	2,312,274
Interest expense	(20,710,928)	—	(20,710,928)
(Loss) gain on disposal of assets	(5,849)	—	(5,849)
Amortization of bond insurance premiums	(10,556)	—	(10,556)
Net nonoperating revenues	<u>5,725,531</u>	<u>1,575</u>	<u>5,727,106</u>
Net gain (loss) before capital contributions and transfers	1,004,541	(1,768,279)	(763,738)
Capital contributions	1,124,530	—	1,124,530
Transfers (out) in	<u>(1,383,749)</u>	<u>1,383,749</u>	<u>—</u>
Changes in net position	745,322	(384,530)	360,792
Net position – Beginning of period	<u>143,110,217</u>	<u>69,307,080</u>	<u>212,417,297</u>
Net position – End of period	\$ <u>143,855,539</u>	\$ <u>68,922,550</u>	\$ <u>212,778,089</u>

See accompanying notes to basic financial statements.

WAYNE COUNTY AIRPORT AUTHORITY

Statement of Cash Flows

Three-Month Period Ended December 31, 2019

	Detroit Metropolitan Airport Fund	Willow Run Airport Fund	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 97,198,649	\$ 837,507	\$ 98,036,156
Payments to suppliers	(46,487,833)	(1,042,001)	(47,529,834)
Payments to employees	(25,659,093)	(456,467)	(26,115,560)
Payments (to) from other funds for services provided	(763,119)	763,119	—
Return of customer deposits	(277,765)	2,549	(275,216)
Collection of customer deposits	163,639	—	163,639
Net cash provided by operating activities	<u>24,174,478</u>	<u>104,707</u>	<u>24,279,185</u>
Cash flows from noncapital financing activities:			
Passenger facility charges received	125,006	—	125,006
Customer facility charges received	13,430	—	13,430
Insurance proceeds	216,864	—	216,864
Grants from federal/state government	247,255	—	247,255
Net cash provided by noncapital financing activities	<u>602,555</u>	<u>—</u>	<u>602,555</u>
Cash flows from capital and related financing activities:			
Capital contributions received	6,589	2,000	8,589
Passenger facility charges received	17,891,996	—	17,891,996
Customer facility charges received	6,268,036	—	6,268,036
Principal paid on capital debt	(100,570,000)	(19,869)	(100,589,869)
Acquisition and construction of capital assets	(90,941,807)	(233,598)	(91,175,405)
Grants from federal/state government	4,931,974	—	4,931,974
Interest paid on capital debt	(45,676,998)	—	(45,676,998)
Net cash used in capital and related financing activities	<u>(208,090,210)</u>	<u>(251,467)</u>	<u>(208,341,677)</u>
Cash flows from investing activities:			
Interest and dividends received	3,078,518	1,575	3,080,093
Purchases of investments	(105,700,000)	—	(105,700,000)
Maturities of investments	209,900,000	—	209,900,000
Net cash provided by investing activities	<u>107,278,518</u>	<u>1,575</u>	<u>107,280,093</u>
Net decrease in cash and cash equivalents	(76,034,659)	(145,185)	(76,179,844)
Cash and cash equivalents – Beginning of period	<u>407,329,427</u>	<u>688,569</u>	<u>408,017,996</u>
Cash and cash equivalents – End of period	<u>\$ 331,294,768</u>	<u>\$ 543,384</u>	<u>\$ 331,838,152</u>

WAYNE COUNTY AIRPORT AUTHORITY

Statement of Cash Flows

Three-Month Period Ended December 31, 2019

	<u>Detroit Metropolitan Airport Fund</u>	<u>Willow Run Airport Fund</u>	<u>Total</u>
Reconciliation of operating loss to net cash provided by operating activities:			
Operating loss	\$ (4,720,990)	\$ (1,769,854)	\$ (6,490,844)
Adjustments to reconcile operating loss to net cash provided by operating activities:			
Depreciation expense	30,530,131	1,094,636	31,624,767
Decrease (increase) in accounts receivable	2,246,178	(12,372)	2,233,806
(Decrease) increase in due from/to other funds	(763,119)	763,119	—
(Increase) in prepaids/deposits	(633,380)	(8,462)	(641,842)
(Decrease) increase in accounts payable	(3,900,716)	50,973	(3,849,743)
Increase in accrued wages and benefits	889,620	6,735	896,355
Increase (decrease) in unearned revenue	13,466	(17,883)	(4,417)
Increase in due to other governmental units	45,092	—	45,092
(Decrease) increase in other accrued liabilities	(5,068,889)	2,507	(5,066,382)
(Decrease) in net OPEB liability	(673,362)	(124,975)	(798,337)
Increase in net pension liability	6,210,447	120,283	6,330,730
Total adjustments	<u>28,895,468</u>	<u>1,874,561</u>	<u>30,770,029</u>
Net cash provided by operating activities	\$ <u>24,174,478</u>	\$ <u>104,707</u>	\$ <u>24,279,185</u>
Cash and investments at September 30, 2019 consist of:			
Cash and cash equivalents	\$ 331,294,768	\$ 543,384	\$ 331,838,152
Investments	<u>164,901,826</u>	<u>—</u>	<u>164,901,826</u>
Total cash and investments	\$ <u>496,196,594</u>	\$ <u>543,384</u>	\$ <u>496,739,978</u>

Noncash investing activities:

- Detroit Metropolitan Airport Fund had a noncash change in the fair value of investments of approximately \$733,000 in the three month period ended December 31, 2019

See accompanying notes to basic financial statements.

WAYNE COUNTY AIRPORT AUTHORITY

Statement of Fiduciary Net Position

December 31, 2019

	<u>Postemployment Health Benefits Trust Fund</u>
Assets:	
Interest in pooled investments (note 4):	
Bonds	\$ 25,834,243
Stocks	43,282,092
Private markets	<u>8,414,211</u>
Total interest in pooled investments	\$ <u>77,530,546</u>
 Net position:	
Net position restricted for OPEB	\$ <u><u>77,530,546</u></u>

See accompanying notes to basic financial statements.

WAYNE COUNTY AIRPORT AUTHORITY
Statement of Changes in Fiduciary Net Position
Three-Month Period Ended December 31, 2019

	<u>Postemployment Health Benefits Trust Fund</u>
Additions	
Investment income:	
Net appreciation in fair value	\$ 3,716,016
Health benefit contributions:	
Employer	1,736,315
Employee	<u>16,813</u>
Total health benefit contributions	1,753,128
Total additions	<u>5,469,144</u>
Deductions	
Health insurance payments	253,128
Investment expenses	<u>33,965</u>
Total deductions	287,093
Changes in net position	5,182,051
Net position – Beginning of period, restated (note 2)	<u>72,348,495</u>
Net position – End of period	<u>\$ 77,530,546</u>

See accompanying notes to basic financial statements.



(1) The Reporting Entity

The Wayne County Airport Authority (the Authority) is an independent public benefit agency and considered an agency of the Charter County of Wayne, Michigan (the County) for the purposes of federal and state laws, but is not subject to any County charter requirements or the direction or control of either the Wayne County Executive or Commission. Pursuant to Public Act 90 (the Authority Act), Michigan Public Acts of 2002 (effective March 26, 2002), the Authority has operational jurisdiction of the Detroit Metropolitan Wayne County Airport (Metro Airport), the Willow Run Airport, and the Airport Hotel, with the exclusive right, responsibility, and authority to occupy, operate, control, and use them. The financial statements of the Authority include the operations of Metro Airport (which includes the Airport Hotel) and Willow Run Airport. The Authority is not deemed a component unit of the County.

The Authority is directed and governed by a board consisting of seven members. The governor of the State appoints two members of the board, one member is appointed by the legislative body of the County that owns Metro Airport, and four members of the board are appointed by the chief executive officer of the County.

Metro Airport has airport use contracts with 10 airlines. These airlines, along with their affiliates, constitute approximately 97 percent of total landed weight in the three-month period ended December 31, 2019. Metro Airport has agreements with various concessionaires (parking, food service, rental car agencies, etc.) for which Metro Airport pays a management fee or receives revenue.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Authority accounts for its various activities in two different funds in order to demonstrate accountability for the way in which certain resources have been spent. Separate funds allow the Authority to show the particular expenditures for which specific revenue was used.

Proprietary Funds – Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees). The Authority reports the following funds as “major” enterprise funds:

Detroit Metropolitan Airport Fund – This fund is used to account for the operations and maintenance of the Detroit Metropolitan Wayne County Airport, which includes the Airport Hotel.

Willow Run Airport Fund – This fund is used to account for the operations and maintenance of the Willow Run Airport.



Fiduciary Funds – Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate the Authority’s programs. Activities that are reported as fiduciary include the following:

Postemployment Health Benefits Trust Fund – This fund is used to account for assets held by the Authority in a trustee capacity that will be used to fund future payment of medical benefits for eligible retirees and their spouses and dependents.

(b) Basis of Accounting and Measurement Focus

The financial statements of the Authority are presented on the accrual basis of accounting and are accounted for on the flow-of-economic-resources measurement focus as applicable to governmental units; revenues are recorded when earned, and expenses are recorded as incurred.

(c) Cash and Investments

Cash resources of the individual funds of the Authority, except as specifically stated by ordinance, are pooled and invested. Interest on pooled investments is allocated monthly among the respective funds based on average investment balances. Interest earned but not received at period end is accrued. Investments are stated at fair value or estimate value.

(d) Cash Flows

For the purpose of the statement of cash flows, the Authority considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. All pooled investments qualify as cash equivalents.

(e) Passenger Facility Charges

The Authority assesses passenger facility charges of \$4.50 per passenger enplanement. The passenger facility charges are recorded as nonoperating revenues and may only be expended on capital and noncapital projects approved by the federal government. Passenger facility charges from airlines are recorded on an accrual basis. Unspent PFC cash and accounts receivable are classified as restricted net position for eligible debt service.

(f) Customer Facility Charges

The Authority collects customer facility charges (CFC) from all rental car concessionaires that operate at Detroit Metropolitan Airport. For the three-month period ended December 31, 2019, \$5.50 was charged to each airport rental car concessionaire customer on a per transaction day basis. CFC revenues are classified as nonoperating on the statement of revenue, expenses, and changes in net position. Such amounts are classified as restricted net position for capital improvements related to the rental car operations at Detroit Metropolitan Airport.



(g) Revenue Recognition

Operating revenues are recorded as revenues at the time services are rendered. Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants and capital contributions. Federal and state grants and capital contributions are recognized as revenues when the eligibility requirements, if any, are met.

(h) Net Position

Equity is displayed in three components, as follows:

Net Investment in Capital Assets – This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This consists of net position that is legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the Authority’s policy to use restricted resources first and then unrestricted resources when they are needed.

Unrestricted – This consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

(i) Classification of Revenues and Expenses

The Authority has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating – Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as revenues from landing and related fees and concession fees, and expenses paid to employees and vendors.

Nonoperating – Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions that are defined as nonoperating by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, such as revenue from federal and state grants and contributions and investment income, and expenses for capital debt.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



(k) Capital Assets

Capital assets are stated at the estimated historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	10 - 50 years
Equipment	3 - 12 years
Infrastructure	10 - 40 years

Purchases with a cost of \$5,000 or more for capital assets and for major renewals and betterments that extend the estimated useful life of the assets are capitalized; routine maintenance and repairs are charged to expense as incurred. All costs relating to the construction of property and equipment owned by the Authority are capitalized. At the time capital assets are sold, retired, or disposed of, the costs of such assets and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in the results of operations.

(l) Compensated Absences

The Authority’s employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned, and sick pay vests upon completion of two years of service. Upon separation from service, employees are paid accumulated vacation and sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding these limitations are forfeited. A liability for accumulated unpaid vacation and sick pay has been recorded in the financial statements as a current “other accrued liability” and will be paid with resources from both the Detroit Metropolitan Airport Fund and the Willow Run Airport Fund. Activity for the three-month period ended December 31, 2019 was as follows:

<u>Beg. Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
\$ <u>4,990,375</u>	\$ <u>1,598,966</u>	\$ <u>(2,279,760)</u>	\$ <u>4,309,581</u>

(m) Retirement Contributions and Other Postemployment Benefit Costs

The Authority offers defined benefit and defined contribution retirement benefits through the Wayne County Employees’ Retirement System (WCERS), an agent multiemployer retirement system. Related to the defined benefit plans, the Authority records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan’s fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan’s fiduciary net position have been determined on the same basis as they are reported by WCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported



at fair value. Related to the defined contribution plans, employer and employee contributions are recognized in the period in which the contributions are due.

In addition, the Authority has entered into an arrangement with WCERS and Wayne County which the Authority has concluded represents a special funding situation under GASB 68. Under the arrangement, which was entered into in 2016, the Authority has committed to a five-year payment schedule of \$1.1 million per quarter for its estimated share (10.25 percent) of the Combined Pre-2002 Retiree Liability of \$20,948,822.

The Authority offers retiree healthcare benefits to retirees. For purposes of measuring the net retiree healthcare benefit liability, deferred outflows of resources and deferred inflows of resources, and retiree healthcare benefit plan expense, information about the fiduciary net position of the retiree healthcare benefit plan and additions to/deductions from the retiree healthcare benefit plans fiduciary net position have been determined on the same basis as they are reported by the Authority. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition, the Authority has agreed to contribute 11.25 percent for its estimated share of stipend payments made to participants in the Wayne County Health and Welfare Plan that retired before September 1, 2002. Members of the Wayne County Health and Welfare Plan are required to file annual certifications related to the use of this stipend for healthcare benefits.

(n) Accounts Receivable

Net receivables at December 31, 2019 consist of trade receivables incurred by customers during the normal course of business. Total allowance for uncollectible accounts at December 31, 2019 was \$392,296, of which \$367,296 was for the Detroit Metropolitan Airport Fund and \$25,000 was for the Willow Run Airport Fund.

(o) Accounts Payable

Total payables at December 31, 2019 consist of payables due to vendors incurred during the normal course of business.

(p) Restricted Assets and Liabilities

Restricted assets consist of cash, investments, and accounts receivable that are legally required to be trustee or maintained in separate depository accounts. Capital program funds are restricted to pay the costs of certain capital projects as defined in various bond agreements. Debt service funds are restricted to make payments for principal and interest as required by the specific bond agreements. Liabilities payable from restricted assets are the accrued interest and current portion of long-term debt associated with the purchase and construction of the capital projects funded by the restricted assets.



(q) Interfund Balances, Advances, and Transfers

The interfund balances resulted from (1) the time lag between the dates interfund goods and services are provided or reimbursable expenses occur, (2) the time lag between the dates payment between funds is made, and (3) overdrafts by individual funds of its share of pooled cash. Noncurrent balances arising in connection with interfund loans are reported as advances. *Due from other funds* is an asset account used to record current portions of loans from one reporting fund to another reporting fund. Similarly, *due to other funds* is a liability account used to record current portions of debt owed by one reporting fund to another reporting fund. At December 31, 2019, the following interfund balances existed between the Detroit Metropolitan Airport Fund and the Willow Run Airport Fund:

Fund Name	Due From	Due To
Detroit Metropolitan Airport Fund	\$ 230,975	\$(1,036,604)
Willow Run Airport Fund	\$1,036,604	\$ (230,975)

Interfund transfers are used to transfer unrestricted resources from one reporting fund to another to fund operations and capital projects.

(r) Prepaid Bond Insurance Premiums

Prepaid bond insurance premium costs are amortized over the period the bond is outstanding using the straight-line method. Accumulated amortization at December 31, 2019 is \$226,352.

(s) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority has three items that qualify for reporting in this category. One is the deferred charge on refunding reported on the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second and third are the deferred outflows for pension and OPEB. See the detailed categories of the deferred outflows for pension in Note 10 and OPEB in Note 11.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, deferred inflows for OPEB. See the detailed categories of the deferred inflows for OPEB in Note 11.



(t) Environmental Matters

Environmental accruals are calculated and recorded using an expected cash flow technique applied to probabilities, ranges, and assumptions developed in response to a potential remediation liability as based on current law and existing technologies. These accruals are evaluated periodically for changes due to additional assessment and remediation efforts, as well as more detailed legal or technical information. Environmental liabilities are included in the statement of net position as current and long-term "other accrued liabilities."

In certain instances, environmental remediation costs cannot be reasonably estimated; however, the nature of the matters is disclosed in the notes to the basic financial statements as commitments and contingencies. As components of the remediation efforts are able to be projected, they are calculated using an expected cash flow technique and recorded accordingly.

(u) Self-Insurance

During the year ended September 30, 2004, the Authority became self-insured for disability, unemployment, and liability insurance. The Authority charges its departments a specified percentage of the department's regular biweekly payroll for these liabilities. Claims related to unemployment, disability, claim administration, deductibles, self-insured retentions, and legal bills are paid out of these funds. The Authority purchases commercial insurance for general liability claims in excess of \$10,000, auto liability insurance for claims in excess of \$25,000, public officials/employment practices liability insurance for claims in excess of \$500,000, and Law Enforcement liability insurance for claims in excess of \$50,000. There have been no claims in the past three years that exceeded the deductible amounts.

During the year ended September 30, 2005, the Authority became self-insured for health insurance and workers' compensation. The Authority charges its departments a specified percentage of the department's regular biweekly payroll for these liabilities. The funds collected for workers' compensation are used to pay claims (wages and medical), third-party administration services, and loss control services. The Authority purchases workers' compensation insurance for claims that exceed \$1 million. There has been one claim (two claimants) that has exceeded the \$1 million deductible wherein the insurer has been responsible for settlement of all future wages, medical, and legal costs. The funds collected for health insurance are used to pay self-insured claims to Blue Cross Blue Shield, the primary healthcare provider, premiums for Health Alliance Plan, dental, and life insurance. The Authority purchases stop/loss coverage from Blue Cross Blue Shield for healthcare claims that exceed \$1 million. There have been no claims in the past three years that have exceeded this threshold.

The liability for self-insurance claims has been recorded in the financial statements as a current "other accrued liability". The Detroit Metropolitan Airport Fund resources are used to liquidate this liability. A reconciliation of the Authority's self-insured claims liability at December 31, 2019 follows:



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

	<u>Health Insurance</u>	<u>Workers' Compensation</u>	<u>Other Claims</u>	<u>Total</u>
Claims liability, September 30, 2018	\$ 1,910,574	\$ 970,491	\$ 482,865	\$ 3,363,930
Claims incurred during fiscal year 2019	13,108,654	186,676	372,137	13,667,467
Payments on claims	(13,103,454)	(224,788)	(347,348)	(13,675,590)
Decrease in the reserve	<u>(1,202,574)</u>	<u>(147,379)</u>	<u>(120,654)</u>	<u>(1,470,607)</u>
Claims liability, September 30, 2019	\$ 713,200	\$ 785,000	\$ 387,000	\$ 1,885,200
Claims incurred Oct. 1, 2019 - Dec. 31, 2019	4,804,825	-	128,922	4,933,747
Payments on claims	(4,805,408)	(95,746)	(96,267)	(4,997,421)
Increase (decrease) in the reserve	<u>37,113</u>	<u>(274,254)</u>	<u>(112,655)</u>	<u>(349,796)</u>
Claims liability, December 31, 2019	<u>\$ 749,730</u>	<u>\$ 415,000</u>	<u>\$ 307,000</u>	<u>\$ 1,471,730</u>

(v) New Accounting Pronouncements

During the current year, the Authority adopted GASB Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. As a result of this implementation, the Authority has included a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position for its Postemployment Health Benefits Trust Fund in the financial report. As a result of implementing this statement, the beginning net position in fiduciary funds has been restated from \$0 to \$72,348,495 as of October 1, 2019.

This was also the first year GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was applicable to the Authority's financial statements. This was a result of the Postemployment Health Benefits Trust Fund now being reported as a fiduciary fund under GASB Statement 84. As a result, some of the disclosures within the OPEB plan footnotes have changed, along with the related schedules in the required supplemental information.

(3) Major Customer

Delta Air Lines (Delta) and its affiliates account for approximately 31 percent of total Authority operating revenues for the three-month period ended December 31, 2019, including 71 percent of landing and related fees, 67 percent of airline rental and related fees, and 78 percent of facility use fees. Approximately 74 percent of total enplanements during the period are attributable to Delta's (and affiliates) operations. In the event that Delta discontinues its operations, there are no assurances that another airline would replace its hub activities.

Existing operating agreements with all Signatory Airlines servicing the Authority require that all remaining airlines would continue to pay the net operating costs and debt service requirements of



the Authority. The Authority had approximately \$5.9 million in receivables from Delta at December 31, 2019.

It is reasonable to assume that any financial or operational difficulties incurred by Delta, the predominant airline servicing the Airport, or another Signatory Airline may, whether directly or indirectly, have a material adverse impact on Airport operations.

(4) Deposits and Investments

Michigan Compiled Laws Section 129.9 1 (Public Act 20 of 1943, as amended), authorizes the Authority to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Authority is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Authority in accordance with Public Act 20 of 1943, as amended, authorizes investments in U.S. Treasuries, U.S. agencies and instrumentalities (date-specific maturities only), non-negotiable certificates of deposits, commercial paper (rated A2/P2 or above), bankers' acceptances, repurchase agreements, overnight deposits, or mutual funds. For overnight deposits, the treasurer may invest overnight or short-term liquid assets to cover cash flow requirements in the following types of pools: investment pools organized under the Surplus Funds Investment Pool Act of 1982, PA 367, 1 MCL 129.111 to MCL 129.118, or investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512. For mutual funds, the Authority may invest in no-load fixed-income mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, either taxable or tax-exempt. This authorization is limited to mutual funds whose intent is to maintain a net asset value of \$1.00 per share.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below.

Credit risk - In compliance with state law, the Authority's investment policy limits investments of commercial paper to the two top ratings issued by nationally recognized statistical rating organizations. As of year-end, the credit quality ratings of investments (other than the U.S. government and municipal bonds) are as follows:



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

<u>Investment</u>	<u>Fair value</u>	<u>Rating</u>	<u>Organization</u>
Primary Government:			
Money market funds	\$ 9,469,064	AAA	S&P
Commercial paper	3,897,894	A1+, P1	S&P, Moody
Commercial paper	138,804,255	A1, P1	S&P, Moody

Custodial credit risk of bank deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's investment policy requires that deposits over the \$250,000 insured limit in a commercial bank shall not equal more than 25 percent of the combined capital and surplus of that bank, and that bank must meet the minimum standards of at least one standard rating service. At year-end, the Authority had \$134,647,224 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments - Custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy requires that all investments not purchased directly from an issuer must be held in the name of the Authority, be purchased using the delivery vs. payment procedure, and be held in third party safekeeping. At year-end, none of the Authority's investments were subject to custodial credit risk due to one of the following:

- Investments were held by a third-party safe-keeper in the Authority's name.
- Investments were held by the Authority's trustee in the Authority's name.
- Investments were part of a mutual fund.

Interest rate risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy addresses this risk by setting limits by investment fund type as follows:

<u>Investment fund</u>	<u>Maturity maximum</u>
General Pool	1 year
Bond Reserve	5 years
Bond Payment and Capital Interest Funds	1 business day prior to bond payment date
Construction Funds	Must match draw schedule or less

Note: All Commercial Paper is limited by state statute to 270 days maximum

At year end, the average maturities of investments subject to interest rate risk are as follows:



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

	<u>Fair value</u>	<u>Average maturity</u>
Primary Government:		
Investments subject to risk:		
General pool funds:		
U.S. Agencies	\$ 20,047,604	9 months
Bond reserves:		
U.S. Treasuries	19,823,398	1.1 years
U.S. Agencies	91,295,530	2.2 years
Municipal Bonds	1,500,690	4 months
Long-term repo	3,629,278	1.9 years
Commercial paper	26,661,992	2.3 months
Bond payment funds:		
U.S. Treasuries	14,905,950	5 months
Construction funds:		
2017A Construction:		
Commercial paper	26,826,598	1.9 months
U.S. Agencies	9,992,000	3.7 months
2017B Construction:		
Commercial paper	8,295,678	14 days
2018A Construction:		
Commercial paper	9,496,214	8.3 days
U.S. Agencies	9,990,800	4 months
2018B Construction:		
Commercial paper	1,499,670	7 days
2018A Capitalized Interest:		
Commercial paper	8,755,583	3.5 months
Other construction and operating funds:		
Commercial paper	61,166,414	2.6 months
U.S. Agencies	4,998,350	4.3 months
Investments subject to risk	<u>318,885,749</u>	

(continued on next page)



continued from previous page:

Deposits/investments not subject to risk:	
Deposits	168,385,165
Money market funds	<u>9,469,064</u>
Total Primary Government	496,739,978
Fiduciary Fund:	
Deposits/investments not subject to risk:	
Investment Pool	<u>77,530,546</u>
Total Fiduciary Fund	77,530,546
 Total deposits and investments	 \$ <u><u>574,270,524</u></u>

Concentration of credit risk – Through its investment policy, the Authority places limits on the amount the Authority may invest in any one issuer, along with the minimal capital strength of those issuers. There are also limits as to the use of specific types of instruments, along with limits upon use of a single institution. These limits are as follows:

Limits using capital strength test: Maximum investment is 25 percent of combined capital and surplus position of that financial institution.

Limits based upon use of specific instruments:

<u>Investment type</u>	<u>Limit</u>	<u>Actual at year-end</u>
Bankers' acceptances	50%	-
Repurchase agreements	25	0.6
Certificates of deposit (bank)	50	6.5
Money market funds	50	15.2
Commercial paper	60	24.9
U.S. Government	100	29.8

Authority limits based upon use of a single issuer:

<u>Investment type</u>	<u>Limit</u>
Bankers' acceptances	25% of total portfolio
Repurchase agreements	10% of total portfolio
Certificates of Deposit (bank)	33% of total portfolio
Certificates of Deposit (S&L)	5% of total portfolio



Actual year-end investments in a single issuer exceeding 5 percent of total portfolio are as follows:

Issuer	Investment type	Fair value	Percentage of portfolio	Rating
MUFG Bank LTD	Commercial paper	\$ 64,552,681	11.20%	A1, P1
Credit Agricole Corp & Inv Bank	Commercial paper	\$ 42,057,835	7.30%	A1, P1

(5) Fair Market Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Authority has the following recurring fair value measurements as of December 31, 2019:

- U.S. Treasury securities of \$34,729,348 - are valued using quoted market prices (Level 1 inputs).
- Commercial paper of \$142,702,149 - are valued using a matrix pricing model and par value (Level 2 inputs).
- U.S. Government Agency securities of \$136,324,284 - are valued using quoted market prices and various market and industry inputs (Level 2 inputs).
- Municipal securities of \$1,500,690 - are valued using observable inputs, either directly or indirectly (Level 2 inputs).

A total of \$9,469,064 of bank pools are recorded at amortized cost in accordance with GASB Statement No. 79 and are not included in the fair value disclosures above. In addition, a total of \$3,629,278 of repurchase agreements are recorded at cost in accordance with GASB Statement No. 31 and are not included in the fair value disclosures above.

Investments in Entities that Calculate Net Asset Value Per Share - The Authority holds an interest in the MERS Total Market Portfolio and the MERS Established Market Portfolio whereby the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient. At December 31, 2019, the fair values were



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

\$38,073,354 and \$39,457,192, respectively. There were no unfunded commitments or redemption rules.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. the Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS Total Market Portfolio.

The MERS Established Market Portfolio (60/40) seeks to provide long-term growth of capital and income through a diversified mix of stocks and bonds. The objective is to outperform a traditional 60/40 mix of stocks and bonds. MERS manages the asset allocation and monitors the underlying investment managers of the MERS Established Market Portfolio (60/40). The MERS Established Market Portfolio (60/40) is part of the MERS Total Market Portfolio.

(6) Restricted Assets

In accordance with the terms of applicable ordinances and federal and state laws, the Authority is required to restrict assets for various purposes. Net position has been restricted related to certain restricted assets. A summary of the restricted assets at December 31, 2019 is as follows:

Construction:	
Cash and investments	106,647,641
Accounts receivable	<u>140,877</u>
Total	<u>106,788,518</u>
Bond and interest redemption:	
Cash and investments	170,290,785
Accounts receivable	<u>580,080</u>
Total	<u>170,870,865</u>
Total restricted assets	<u>\$ 277,659,383</u>

(7) Capital Assets

Capital asset activity for the three-month period ended December 31, 2019 was as follows:



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Detroit Metropolitan Airport Fund:				
Capital assets not being depreciated:				
Land and nondepreciable assets	\$ 224,367,511	\$ -	\$ -	\$ 224,367,511
Construction in progress	<u>221,970,668</u>	<u>39,470,228</u>	<u>(163,886,613)</u>	<u>97,554,283</u>
Total capital assets not being depreciated	<u>446,338,179</u>	<u>39,470,228</u>	<u>(163,886,613)</u>	<u>321,921,794</u>
Capital assets being depreciated:				
Buildings and improvements	2,109,600,730	6,413,986	-	2,116,014,716
Equipment	113,839,281	6,501,488	(115,439)	120,225,330
Infrastructure	<u>1,424,796,745</u>	<u>157,553,541</u>	<u>-</u>	<u>1,582,350,286</u>
Total capital assets being depreciated	<u>3,648,236,756</u>	<u>170,469,015</u>	<u>(115,439)</u>	<u>3,818,590,332</u>
Less accumulated depreciation for:				
Buildings and improvements	1,270,245,744	15,242,522	-	1,285,488,266
Equipment	72,338,245	1,913,734	(101,758)	74,150,221
Infrastructure	<u>815,862,893</u>	<u>13,374,226</u>	<u>-</u>	<u>829,237,119</u>
Total accumulated depreciation	<u>2,158,446,882</u>	<u>30,530,482</u>	<u>(101,758)</u>	<u>2,188,875,606</u>
Total capital assets being depreciated, net	<u>1,489,789,874</u>	<u>139,938,533</u>	<u>(13,681)</u>	<u>1,629,714,726</u>
Total Detroit Metropolitan Airport Fund capital assets, net	<u>\$ 1,936,128,053</u>	<u>\$ 179,408,761</u>	<u>\$ (163,900,294)</u>	<u>\$ 1,951,636,520</u>
	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Willow Run Airport Fund:				
Capital assets not being depreciated:				
Land and nondepreciable assets	\$ 17,476,885	\$ -	\$ -	\$ 17,476,885
Construction in progress	<u>2,065,038</u>	<u>655,149</u>	<u>-</u>	<u>2,720,187</u>
Total capital assets not being depreciated	<u>19,541,923</u>	<u>655,149</u>	<u>-</u>	<u>20,197,072</u>
Capital assets being depreciated:				
Buildings and improvements	13,934,137	-	-	13,934,137
Equipment	7,140,202	5,285	-	7,145,487
Infrastructure	<u>146,174,596</u>	<u>-</u>	<u>-</u>	<u>146,174,596</u>
Total capital assets being depreciated	<u>167,248,935</u>	<u>5,285</u>	<u>-</u>	<u>167,254,220</u>
Less accumulated depreciation for:				
Buildings and improvements	6,900,437	134,629	-	7,035,066
Equipment	5,570,835	76,727	-	5,647,562
Infrastructure	<u>102,037,727</u>	<u>883,280</u>	<u>-</u>	<u>102,921,007</u>
Total accumulated depreciation	<u>114,508,999</u>	<u>1,094,636</u>	<u>-</u>	<u>115,603,635</u>
Total capital assets being depreciated, net	<u>52,739,936</u>	<u>(1,089,351)</u>	<u>-</u>	<u>51,650,585</u>
Total Willow Run Airport Fund capital assets, net	<u>72,281,859</u>	<u>(434,202)</u>	<u>-</u>	<u>71,847,657</u>
Total Authority capital assets, net	<u>\$ 2,008,409,912</u>	<u>\$ 178,974,558</u>	<u>\$ (163,900,294)</u>	<u>\$ 2,023,484,177</u>



(8) Long-term Debt

The detail of long-term debt at December 31, 2019 is as follows:

Detroit Metropolitan Airport Fund:

Airport Revenue Bonds - Direct Placement:

Series 2015A, 1.67%, due 12/1/2020	17,625,000
Series 2015B, 2.716%, due 12/1/2024	75,000,000
Series 2015C, 3.75%, due 12/1/2034	25,640,000
Series 2015H, Variable, Crnt. Yield at 12/31/19, 1.9668%, due 12/1/2039	23,125,000
Series 2017C, Jr. Lien, 5.00%, due 12/1/2037	24,615,000
Series 2017D, Variable, Crnt. Yield at 9/30/19, 1.88595%, due 12/1/2033	198,285,000
Series 2017E, 4.00%, due 12/1/2028	67,385,000
Series 2017F, 2.6835%, due 12/1/2028	113,570,000
Series 2019, 2.92%, due 12/1/2034	29,740,000
Total Direct Placement Airport Revenue Bonds	<u>574,985,000</u>

Airport Revenue Bonds - Other:

Series 2010C, 1.50% to 5.50%, due 12/1/2022	37,480,000
Series 2010D, 1.50% to 5.50%, due 12/1/2021	6,410,000
Series 2011A, 4.00% to 5.00%, due 12/1/2022	117,055,000
Series 2011B, 3.00% to 5.00%, due 12/1/2020	2,745,000
Series 2012A, 3.00% to 5.00%, due 12/1/2042	166,520,000
Series 2012B, 5.00%, due 12/1/2037	22,775,000
Series 2012C, 3.00% to 4.00%, due 12/1/2020	260,000
Series 2012D, 3.00% to 5.00%, due 12/1/2028	29,740,000
Series 2014B, 3.00% to 5.00%, due 12/1/2044	66,295,000
Series 2014C, 3.00% to 5.00%, due 12/1/2044	31,545,000
Series 2015D, 3.00% to 5.00%, due 12/1/2045	213,130,000
Series 2015E, 5.00%, due 12/1/2038	7,755,000
Series 2015F, 5.00%, due 12/1/2034	224,155,000
Series 2015G, 2.00% to 5.00%, due 12/1/2036	68,200,000
Series 2017A, 4.00% to 5.00%, due 12/1/2047	50,670,000
Series 2017B, 4.00% to 5.00%, due 12/1/2047	40,770,000
Series 2017C, 5.00%, due 12/1/2028	67,565,000
Series 2017A, Jr. Lien, 4.00% to 5.00%, due 12/1/2037	59,480,000
Series 2017B, Jr. Lien, 5.00%, due 12/1/2032	41,930,000
Series 2018A, 5.00%, due 12/1/2043	147,390,000
Series 2018B, 5.00%, due 12/1/2048	6,005,000
Series 2018C, 4.00% to 5.00%, due 12/1/2025	30,225,000
Series 2018D, 5.00%, due 12/1/2032	43,020,000
Total Other Airport Revenue Bonds	<u>1,481,120,000</u>

Shuttle lease - Direct Placement	2,832,403
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Total Detroit Metropolitan Airport Fund	<u>2,058,937,403</u>
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NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Willow Run Airport Fund:	
Notes payable – Downriver Community Conference, 0%, due 5/1/2027	440,000
Total Authority bonds payable and other debt	<u>2,059,377,403</u>
Add (less):	
Certain bond discounts	(421,914)
Certain bond premiums	<u>129,055,865</u>
Total Authority bonds payable and other debt, net	2,188,011,354
Less current portion	<u>100,033,596</u>
Total Authority bonds payable and other debt, noncurrent	<u>\$ 2,087,977,758</u>

The annual requirements to pay principal and interest on the Authority’s debt outstanding at December 31, 2019 are summarized as follows:

	Principal				Total
	Direct Placement Airport	Other Airport	Direct Placement Shuttle	Direct Placement Willow Run	
	Revenue Bonds	Revenue Bonds	Lease	Debt	
2020	18,790,000	80,675,000	513,596	55,000	100,033,596
2021	19,095,000	81,330,000	583,218	60,000	101,068,218
2022	19,595,000	76,705,000	608,142	60,000	96,968,142
2023	74,050,000	26,940,000	634,130	60,000	101,684,130
2024	74,870,000	28,035,000	493,317	60,000	103,458,317
2025 to 2029	222,185,000	312,140,000	-	145,000	534,470,000
2030 to 2034	107,795,000	373,480,000	-	-	481,275,000
2035 to 2039	38,605,000	266,660,000	-	-	305,265,000
2040 to 2044	-	190,700,000	-	-	190,700,000
2045 to 2049	-	44,455,000	-	-	44,455,000
Total	<u>\$ 574,985,000</u>	<u>\$ 1,481,120,000</u>	<u>\$ 2,832,403</u>	<u>\$ 440,000</u>	<u>\$ 2,059,377,403</u>

	Interest			
	Direct Placement Airport	Other Airport	Direct Placement Shuttle	Total
	Revenue Bonds	Revenue Bonds	Lease	
2020	16,666,119	73,225,038	99,929	89,991,086
2021	16,322,413	69,374,967	86,082	85,783,461
2022	15,800,679	65,341,321	61,158	81,203,157
2023	15,134,197	61,812,977	35,170	76,982,344
2024	13,012,419	60,467,925	8,656	73,489,000
2025 to 2029	38,801,762	267,510,521	-	306,312,283
2030 to 2034	16,863,296	179,881,117	-	196,744,412
2035 to 2039	3,880,546	95,186,158	-	99,066,704
2040 to 2044	-	34,070,479	-	34,070,479
2045 to 2049	-	7,630,958	-	7,630,958
Total	<u>\$ 136,481,430</u>	<u>\$ 914,501,460</u>	<u>\$ 290,995</u>	<u>\$ 1,051,273,886</u>



Pursuant to the Authority Act, the Authority is liable for all of the obligations with respect to the Authority and is obligated to perform all of the duties, and is bound by all of the covenants, with respect to the Authority under any ordinances (including Ordinance 319), agreements or other instruments and under law. Under the Authority Act, all airport revenue bonds issued by the Authority may be issued on a parity basis with the Outstanding Senior Lien Bonds and Additional Bonds issued by the Authority under the Master Bond Ordinance, and secured by net revenues.

Net revenues (as defined in the various bond ordinances) of Metro Airport have been pledged toward the repayment of the Airport Revenue Bonds. Net revenues consist of operating revenues, interest income and other, federal and state sources, passenger facility charges, and customer facility charges reduced by operating expenses not including depreciation. For the three-month period ended December 31, 2019, the net revenue was \$51,213,962 compared to the net debt service (principal and interest) of \$23,476,641.

The Airport Revenue Bond Ordinances require that Metro Airport reserve assets to provide for the operations, maintenance, and administrative expenses of the subsequent month, the redemption of bond principal and interest, and for other purposes as defined in those ordinances.

Direct Placement Debt – Detroit Metropolitan Airport Fund

In September 2015, the Authority issued an \$85 million Direct Placement Bond with PNC Bank, N.A., Series 2015A Bonds. The Series 2015A Refunding Bonds were issued to refund a portion of the Series 2005A Bonds which were initially issued to finance the cost of various capital projects at Metro Airport. The Series 2015A Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the Series 2005A Bonds by placing the proceeds of the Series 2015A Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2005A Bonds were subsequently called and paid in full in December 2015. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$10.5 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$8.3 million.

In September 2015, the Authority issued a \$75 million Direct Placement Bond with Bank of America, N.A., Series 2015B Bonds. The Series 2015B Refunding Bonds were issued to refund a portion of the Series 2005A Bonds which were initially issued to finance the cost of various capital projects at Metro Airport. The Series 2015B Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the Series 2005A Bonds by placing the proceeds of the Series 2015B Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2005A Bonds were subsequently called and paid in full in December 2015. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$16 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$12.7 million.



In September 2015, the Authority issued a \$25.6 million Direct Placement Bond with Citibank, N.A., Series 2015C Bonds. The Series 2015C Refunding Bonds were issued to refund a portion of the Series 2005A Bonds which were initially issued to finance the cost of various capital projects at Metro Airport. The Series 2015C Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the Series 2005A Bonds by placing the proceeds of the Series 2015C Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2005A Bonds were subsequently called and paid in full in September 2015. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$4.4 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$3.5 million.

In October 2015, the Authority issued a \$23.1 million Direct Placement Bond with Bank of America, N.A., Series 2015H Bonds. The Series 2015H Refunding Bonds were issued to refund a portion of the Series 2001A Airport Hotel Revenue Bonds which were initially issued to finance the cost of the Westin Hotel located in the McNamara Terminal. The Series 2015H Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the Series 2001A Bonds by placing the proceeds of the Series 2015H Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2001A Bonds were subsequently called and paid in full in December 2015.

The Series 2015H Bonds are variable-rate bonds. Bank of America, N.A. is responsible under an agreement with Metro Airport to establish the interest rate monthly. The interest rate is determined as the rate of interest which, in the judgment of Bank of America N.A., would cause the Series 2015H Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

In October 2017, the Authority issued a \$24.6 million Direct Placement Bond with Citibank, N.A., Series 2017C Jr. Lien Bonds. The Series 2017C Jr. Lien Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2017C Jr. Lien Refunding Bonds were issued to refund a portion of the Series 2007A Jr. Lien Bonds. The Series 2017C Jr. Lien Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport and available after net revenues have first been set aside as required to pay the principal and interest and redemption price, if any, of Senior Lien Bonds as provided in the Ordinance. The Series 2017C Jr. Lien Bonds are "Junior Lien Bonds" under the Ordinance, and a statutory lien subordinate to the prior lien in respect of Senior Lien Bonds has been established under the Ordinance upon and against the net revenues to secure the payment of the Series 2017C Jr. Lien Bonds.



The Authority defeased the Series 2007A Jr. Lien Bonds by placing the proceeds of the Series 2017C Jr. Lien Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2007A Jr. Lien Bonds were subsequently called and paid in full in December 2018. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$6.8 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$4.3 million.

In December 2017, the Authority issued a \$199 million Direct Placement Bond with Bank of America, N.A., Series 2017D Bonds. The Series 2017D Refunding Bonds were issued to refund the Series 2013A Direct Placement Bonds which were initially issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2017D Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the Series 2013A Direct Placement Bond by placing the proceeds of the Series 2017D Bonds in the 2013A Bond Fund to be immediately paid to the Direct Placement Bondholder. The Series 2013A Direct Placement Bond was paid in full on December 21, 2017.

The Series 2017D Bonds are variable-rate bonds. Bank of America N.A. is responsible under an agreement with Metro Airport to establish the interest rate monthly. The interest rate is determined as the rate of interest which, in the judgment of Bank of America N.A., would cause the Series 2017D Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

In December 2017, the Authority issued a \$67.8 million Direct Placement Bond with Citibank, N.A., Series 2017E Bonds. The Series 2017E Refunding Bonds were issued to refund the Series 2013B Direct Placement Bonds which were initially issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2017E Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the Series 2013B Direct Placement Bond by placing the proceeds of the Series 2017E Bonds in the 2013B Bond Fund to be immediately paid to the Direct Placement Bondholder. The Series 2013B Direct Placement Bond was paid in full on December 21, 2017.

In December 2017, the Authority issued a \$114.3 million Direct Placement Bond with Bank of America, N.A., Series 2017F Bonds. The Series 2017F Refunding Bonds were issued to refund the Series 2013C Direct Placement Bonds which were initially issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2017F Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.



The Authority defeased the Series 2013C Direct Placement Bond by placing the proceeds of the Series 2017F Bonds in the 2013C Bond Fund to be immediately paid to the Direct Placement Bondholder. The Series 2013C Direct Placement Bond was paid in full on December 21, 2017.

In April 2019, the Authority issued a \$29.8 million Direct Placement Bond with DNT Asset Trust, Series 2019 Bonds. The Series 2019 Refunding Bonds were issued to refund the Series 2014A Direct Placement Bond which was initially issued to finance the cost of various capital projects at Metro Airport. The Series 2019 Bonds are revenue obligations of the Authority payable solely from the operations of Metro Airport.

The Authority defeased the Series 2014A Direct Placement Bond by placing the proceeds of the Series 2019 Bonds in the 2014A Bond Fund to be immediately paid to the Direct Placement Bondholder. The Series 2014A Direct Placement Bond was paid in full on April 18, 2019. An estimate of the minimum economic gain (the difference between the present value of the debt service payments on the old and new debt) has not been calculated due to the uncertainty of future debt service payments for the 2014A Direct Placement Bond, which is a variable interest obligation.

Direct Placement Debt – Detroit Metropolitan Airport Fund- Additional Information

The Authority's Series 2015H Bonds and 2017D Bonds are subject to bond purchase and continuing covenant agreements. Significant events of default under each bond purchase and continuing covenant agreement include: (1) the failure to pay when due the principal, premium, or interest on the applicable series of bonds, or to pay any other obligation (other than the obligation to pay the principal of or interest on the applicable series of bonds) and the failure to pay the obligation shall continue for three business days; (2) any representation, warranty, or statement made by the Authority in the applicable bond purchase and continuing covenant agreement proves to have been untrue in any material respect and is not corrected within the applicable cure period; (3) any document furnished to the applicable purchaser by the Authority in connection with the transactions contemplated by the applicable bond purchase and continuing covenant agreement, taken as a whole, proves to be materially inaccurate; (4) the failure of the Authority to perform or observe any of the affirmative or negative covenants specified in the applicable bond purchase and continuing covenant agreement (certain of which contain limited or no notice or cure rights, and others of which constitute events of default only after the passage of thirty days during which default is not remedied); (5) the occurrence of certain bankruptcy or insolvency events; (6) the long-term unenhanced ratings assigned to any of the Authority's outstanding debt secured by Net Revenues are reduced below "BBB" by Fitch, "Baa2" by Moody's, or "BBB" by S&P, or such ratings are withdrawn or suspended; (7) the entry of a final and non-appealable judgment against the Authority for the payment of money equaling or exceeding \$5,000,000, to be paid out of Net Revenues, that remains unsatisfied for a period of sixty days; (8) the Authority shall default in any payment of any outstanding parity debt or debt secured by Net Revenues, beyond the applicable grace period, or shall default in the observance or performance of any agreement or condition relating to any outstanding parity debt or debt secured by Net Revenues, beyond the applicable grace period.



Upon occurrence of an event of default under the applicable bond purchase and continuing covenant agreement, the bondholder may exercise certain rights and remedies, including the right to require the Authority to cause a mandatory tender of the Bonds governed by the bond purchase and continuing covenant agreement and/or declare the unpaid principal amount and interest accrued on all such Bonds due and payable.

The Authority's Series 2015A, 2015B, 2015C, 2017E, 2017F and 2019 Bonds, and its Series 2017C Junior Lien Bonds, are each subject to a bond purchase agreement which provide no significant events of default with finance-related consequences, termination events with finance-related consequences or subjective acceleration clauses.

Direct Placement Debt – Willow Run Airport

In December 2001, the County entered into a \$292,133 note payable with Washtenaw County to allow Washtenaw County to use their Michigan Community Development Block Grant to assist Willow Run Airport in renovating Hangar I. The agreement calls for principal to be paid in quarterly installments commencing March 31, 2005. The final payment on this loan was made in December 2019.

In May 2014, the Authority entered into a loan agreement with Downriver Community Conference (DCC) to assist Willow Run Airport with remediation activities at Hangar 2. The loan agreement with the DCC defines certain events of default with finance-related consequences. The events of default as defined in the agreement are summarized as follows: (a) default in any payment (b) any representation or warranty made by the Authority that proves at the time made were false or misleading in any material respect; (c) use of the proceeds of the loan for purposes other than those stated in section 3 of the loan agreement or approved in writing by the DCC; (d) default in the performance of any other term, covenant or agreement contained herein, or in the loan documents, which by default is not cured within 30 days of receipt of a notice of default or such longer period as shall be reasonably necessary to cure such default provided the Authority promptly commences such cure and thereafter diligently pursues such cure to completion; (e) the Authority defaults under the terms of article 4 of the agreement. Article 4 provides that: (1) the Authority will not pledge its Airport Development Fund ("ADF") to secure any debt of the Borrower without the written consent of the DCC; (2) the Authority will maintain available funds in the ADF in an amount not less than the then outstanding balance due under the loan.

Upon the occurrence of an event of default, any indebtedness under the loan agreement shall, at the DCC's option and without notice, become immediately due and payable without presentment, notice or demand.

Other Debt – Detroit Metropolitan Airport Fund

In December 2010, the Authority issued \$722.7 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2010A, 2010B, 2010C, 2010D, 2010E-1, 2010E-2 and 2010F. The Series 2010A, 2010B, 2010C, 2010D, 2010E-1, 2010E-2 and 2010F Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

capital projects at Metro Airport. The Series 2010A Refunding Bonds were issued to refund a portion of the Series 1998A Bonds. The Series 2010B Refunding Bonds were issued to refund a portion of the Series 1998B Bonds. The Series 2010C Refunding Bonds were issued to refund a portion of the Series 2008B Bonds, a portion of the Series 2008C Bonds, the Series 2008E Bonds and the Series 2008F Bonds. The Series 2010D Refunding Bonds were issued to refund the Series 2008D Bonds. The Series 2010E-1 Refunding Bonds were issued to refund a portion of the Series 1998A Bonds.

The Series 2010E-2 Refunding Bonds were issued to refund a portion of the Series 1998A Bonds. The Series 2010F Refunding Bonds were issued to refund a portion of the Series 2008B Bonds and a portion of the Series 2008C Bonds. The Series 2010A Bonds, Series 2010B Bonds, Series 2010C Bonds, Series 2010D Bonds, Series 2010E-1 Bonds, Series 2010E-2 Bonds and Series 2010F Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the refunded portions of the Series 1998A Bonds, Series 1998B Bonds, Series 2008B Bonds, Series 2008C Bonds, Series 2008D Bonds, Series 2008E Bonds and Series 2008F Bonds by placing the proceeds of the Series 2010A Bonds, Series 2010B Bonds, Series 2010C Bonds, Series 2010D Bonds, Series 2010E-1 Bonds, Series 2010E-2 Bonds and Series 2010F Bonds in an irrevocable trust to provide for all future debt service payments. The Series 1998A Bonds, Series 1998B Bonds, Series 2008B Bonds, Series 2008C Bonds, Series 2008D Bonds, Series 2008E Bonds and Series 2008F Bonds were subsequently called and paid in full in January 2011 and February 2011. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$52.2 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$25.5 million.

In November 2011, the Authority issued \$169.4 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2011A and 2011B. The Series 2011A and 2011B Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2011A Refunding Bonds were issued to refund a portion of the Series 1998A Bonds. The Series 2011B Refunding Bonds were issued to refund a portion of the Series 2002C Bonds. The Series 2011A Bonds and Series 2011B Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the refunded portions of the Series 1998A Bonds and the refunded portions of the Series 2002C Bonds by placing the proceeds of the Series 2011A Bonds and Series 2011B Bonds in an irrevocable trust to provide for all future debt service payments. The Series 1998A Bonds and Series 2002C Bonds were subsequently called and paid in full in December 2011 and December 2012. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$10.6 million. The Authority estimates its minimum



economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$8.1 million.

In September 2012, the Authority issued \$202.7 million in Wayne County Airport Authority Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Metro Airport. These projects include the reconstruction and rehabilitation of airfield pavement and parking decks/lots, the replacement and construction of support facilities, acquisition of fleet and heavy equipment, design of a powerhouse control room, watermain replacements, security network upgrades and roof replacements. The Series 2012A Bonds and Series 2012B Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

In September 2012, the Authority issued \$75.4 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2012C and 2012D. The Series 2012C and 2012D Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2012C Refunding Bonds were issued to refund a portion of the Series 2002C Bonds. The Series 2012D Refunding Bonds were issued to refund a portion of the Series 1998A Bonds and the Series 2002D Bonds. The Series 2012C Bonds and Series 2012D Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the refunded portions of the Series 1998A Bonds, the refunded portions of the Series 2002C Bonds and the refunded Series 2002D Bonds by placing the proceeds of the Series 2012C Bonds and Series 2012D Bonds in an irrevocable trust to provide for all future debt service payments. The Series 1998A Bonds, Series 2002C Bonds and Series 2002D Bonds were subsequently called and paid in full in October 2012 and December 2012. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$10.0 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$7.8 million.

In August 2014, the Authority issued \$98.4 million in Wayne County Airport Authority Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Metro Airport. These projects include taxiway rehabilitation and reconstruction, road reconstruction, bridges and roadway rehabilitation, fleet and heavy equipment acquisitions, various electrical projects, power plant equipment replacements and demolition of various buildings. The Series 2014B Bonds and Series 2014C Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

In October 2015, the Authority issued \$221.1 million in Wayne County Airport Authority Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Metro Airport. These projects include reconstruction and rehabilitation of airfield pavement, acquisition of fleet and heavy equipment, roadway rehabilitation and lighting, GTC heating system reconfiguration, retaining wall reconstruction, construction of an administration building, power



plant building rehabilitation and security system upgrades. The series 2015D Bonds and Series 2015E Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

In October 2015, the Authority issued \$299 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2015F and 2015G. The Series 2015F and 2015G Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2015F Refunding Bonds were issued to refund a portion of the Series 2005A Bonds. The Series 2015G Refunding Bonds were issued to refund a portion of the Series 2001A Airport Hotel Revenue Bonds. The Series 2015F Bonds and the Series 2015G Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the refunded portion of the Series 2005A Bonds and the refunded portion of the Series 2001A Bonds by placing the proceeds of the Series 2015F Bonds and Series 2015G Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2005A Bonds and the Series 2001A Bonds were subsequently called and paid in full in December 2015. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$27.1 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$29.6 million.

In October 2017, the Authority issued \$91.4 million in Wayne County Airport Authority Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Metro Airport. These projects include reconstruction and rehabilitation of airfield pavement, acquisition of fleet and heavy equipment, roadway rehabilitation, improvements to the baggage handling system at the McNamara Terminal and improvements to the passenger tram control system at the McNamara Terminal. The series 2017A Bonds and Series 2017B Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

In October 2017, the Authority issued \$78.4 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2017C. The Series 2017C Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2017C Refunding Bonds were issued to refund the Series 2007B Bonds. The Series 2017C Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the refunded portion of the Series 2007B Bonds by placing the proceeds of the Series 2017C Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2007B Bonds were subsequently called and paid in full in December 2017. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$15.2 million. The Authority estimates its minimum economic gain (difference



between the present value of the debt service payments on the old and new debt) was approximately \$12.8 million.

In October 2017, the Authority issued \$109.1 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2017A Jr. Lien and 2017B Jr. Lien. The Series 2017A Jr. Lien and 2017B Jr. Lien Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2017A Jr. Lien and Series 2017B Jr. Lien Refunding Bonds were issued to refund a portion of the Series 2007A Jr. Lien Bonds. The Series 2017A Jr. Lien Bonds and the Series 2017B Jr. Lien Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport and available after net revenues have first been set aside as required to pay the principal and interest and redemption price, if any, of Senior Lien Bonds as provided in the Ordinance. The Series 2017A Jr. Lien Bonds and Series 2017B Jr. Lien Bonds are “Junior Lien Bonds” under the Ordinance, and a statutory lien subordinate to the prior lien in respect of Senior Lien Bonds has been established under the Ordinance upon and against the net revenues to secure the payment of the Series 2017A Jr. Lien Bonds and Series 2017B Jr. Lien Bonds.

The Authority defeased the refunded portion of the Series 2007A Jr. Lien Bonds by placing the proceeds of the Series 2017A Jr. Lien Bonds and Series 2017B Jr. Lien Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2007A Jr. Lien Bonds were subsequently called and paid in full in December 2017. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$26 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$18.8 million.

In November 2018, the Authority issued \$153.4 million in Wayne County Airport Authority Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Metro Airport. These projects include reconstruction and rehabilitation of airfield pavement, site demolitions and a North Terminal Gate Expansion. The series 2018A Bonds and Series 2018B Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operations of Metro Airport.

In November 2018, the Authority issued \$78.5 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2018C and 2018D. The Series 2018C and 2018D Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The Series 2018C and 2018D Refunding Bonds were issued to refund the Series 2008A Bonds. The Series 2018C and 2018D Bonds are revenue obligations of the Authority payable solely from the revenues derived by the Authority from the operations of Metro Airport.

The Authority defeased the refunded portion of the Series 2008A Bonds by placing the proceeds of the Series 2018C Bonds and the Series 2018D Bonds in an irrevocable trust to provide for all future debt service payments. The Series 2008A Bonds were subsequently called and paid in full in



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

December 2018. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$16.4 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$11.7 million.

Other Debt – Detroit Metropolitan Airport Fund – Additional Information

The Authority’s Series 2010C, 2010D, 2011A, 2011B, 2012A, 2012B, 2012C, 2012D, 2014B, 2014C, 2015D, 2015E, 2015F, 2015G, 2017A, 2017B, 2017C, 2017A, 2017B, 2018A, 2018B, 2018C and 2018D Bonds are each subject to the provisions of specific Series Ordinances as well as the Authority’s Master Bond Ordinance. Neither the Series Ordinances nor the Master Bond Ordinance provides significant events of default with finance-related consequences, termination events with finance-related consequences or subjective acceleration clauses.

Long-term debt activity for the three-month period ended December 31, 2019 was as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Detroit Metropolitan Airport Fund:					
Direct Placement - airport revenue bonds	\$ 593,370,000	\$ —	\$ (18,385,000)	\$ 574,985,000	\$ 18,790,000
Other - airport revenue bonds	1,563,305,000	—	(82,185,000)	1,481,120,000	80,675,000
Direct Placement - shuttle lease	—	2,878,124	(45,721)	2,832,403	513,596
Add (less):					
Other - bond discounts	(429,538)	7,624	—	(421,914)	—
Direct Placement- bond premiums	8,299,486	—	(246,026)	8,053,460	—
Other - bond premiums	123,864,154	—	(2,861,749)	121,002,405	—
Total Detroit Metropolitan Airport Fund	<u>2,288,409,102</u>	<u>2,885,748</u>	<u>(103,723,496)</u>	<u>2,187,571,354</u>	<u>99,978,596</u>
Willow Run Airport Fund:					
Direct Placement - DCC Note	459,869	—	(19,869)	440,000	55,000
Total Willow Run Airport Fund	<u>459,869</u>	<u>—</u>	<u>(19,869)</u>	<u>440,000</u>	<u>55,000</u>
Total Long-Term Debt	<u>\$ 2,288,868,971</u>	<u>\$ 2,885,748</u>	<u>\$ (103,743,365)</u>	<u>\$ 2,188,011,354</u>	<u>\$ 100,033,596</u>

(9) Commitments and Contingencies

(a) Litigation

The Authority is a defendant in a number of lawsuits and claims that have resulted from the ordinary course of providing services. The ultimate effect on the Authority’s financial statements upon the resolution of these matters is, in the opinion of the Authority’s counsel, not expected to be material.

(b) Construction

The estimated costs to complete Metro Airport’s current capital improvement program totaled \$482.4 million at December 31, 2019, which will be funded by previously issued and anticipated debt, federal grants, and passenger facility charges. Unexpended commitments on construction and professional services contracts in connection with Metro Airport’s program totaled \$39.5 million at December 31, 2019.



The estimated costs to complete Willow Run Airport's current capital improvement program totaled \$121.4 million at December 31, 2019, which will be funded with federal and state grants. Unexpended commitments on construction and professional services contracts in connection with Willow Run Airport's program totaled \$1.7 million at December 31, 2019.

(c) Environmental Matters

Environmental accruals are calculated and recorded using an expected cash flow technique applied to probabilities, ranges, and assumptions developed in response to a potential remediation liability as based on current law and existing technologies. At December 31, 2019, the Authority had accrued obligations of \$1.3 million for environmental remediation and restoration costs. This is management's best estimate of the costs with respect to environmental matters; however, these estimates contain inherent uncertainties primarily due to unknown conditions, changing regulations, and developing technologies. In accordance with GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the liability has been recorded at the current value estimated using the expected cash flow technique, a probability-weighted approach. Twenty-four percent of the recorded environmental liabilities are related to a Consent Decree and judgment issued during 1994 that identifies the Airport as one of the fourteen responsible parties to the improvements to the Wayne County Downriver Sewage Disposal System (the System). The bulk of the remainder is for asbestos remediation estimates. See additional discussion on both below.

Asbestos Remediation

It is known that certain Metro Airport and Willow Run Airport buildings hold asbestos-containing materials (ACMs) that will need to be disposed of upon demolition of affected structures. While the pollutant is currently contained due to prior remediation efforts during the late 1980's and early 1990's, the environmental assessments have indicated that remediation will be necessary during the demolition of the affected buildings to ensure containment of the pollutants and proper disposal.

WCAA personnel, with the assistance of WCAA contractors, have performed preliminary assessments of the nature and extent of the material. Based upon the information gathered and provided the Authority has recorded asbestos-related liabilities of \$60,000 and \$940,000 at Detroit Metro and Willow Run Airports, respectively, as of December 31, 2019.

Additional Remediation Matters

In the mid-1990's, it was discovered that soils near the Willow Run airport were adversely impacted. Various public and private entities (including the County of Wayne, the predecessor entity to WCAA) were tasked by the Environmental Protection Agency (EPA) to remediate the areas. The soils were dredged from Tyler Pond, Edison Pond, and the Willow Run Sludge Lagoon. Subsequently, the materials were encapsulated and placed in an approved landfill. Pursuant to the various documents and orders governing the remediation, title to the real property where the controlled facility is located was to be transferred to General Motors because General Motors was documented as the



main Partial Responsible Party (PRP). In June of 2009, before taking title to the real property, where the controlled facility is located, General Motors filed for bankruptcy protection. As such Ford Motor Company by default, became the foremost PRP. While Ford Motor Company has continued to operate the controlled facility, to date, and despite the WCAA’s attempts, Ford Motor Company has not taken title to the real property where the controlled facility is located. WCAA is in negotiation to facilitate the transfer of real property to the Ford Motor Company.

(10) Employee Benefits

(a) Plan Description

The Authority provides retirement benefits to its employees through the Wayne County Employees’ Retirement System (WCERS), an agent multi-employer public employee retirement system that is governed by the Wayne County Retirement Ordinance as amended. The Retirement System provides both defined benefit plan and defined contribution plan retirement options. The Defined Benefit Plan consists of Plan Option 1, Plan Option 2, Plan Option 3, Plan Option 5 and Plan Option 5A (collectively, the Plan). Three of the Plan options require employee contributions (Plan Option 1, Plan Option 3 and Plan Option 5A) and two do not require employee contributions (Plan Option 2 and Plan Option 5). Two of the Plan options are hybrid plans (Plan Option 5 and Plan Option 5A) which consist of both a defined benefit component and a defined contribution component. The Defined Contribution Plan consists of Plan Option 4, Plan Option 4A, Plan Option 5 and Plan Option 5A.

The Retirement System provides retirement, survivor, and disability benefits to substantially all County and Authority employees. The Retirement Board issues separate financial statements for the Defined Benefit Plan and the Defined Contribution Plan annually. Copies of these financial statements can be obtained at 28 W. Adams, Suite 1900, Detroit, Michigan 48226. The statements are also available on WCERS website at www.wcers.org.

Effective October 1, 2012, WCERS established Wayne County Defined Contribution Plan #4A and Wayne County Hybrid Retirement Plan #5A, which contains both a defined benefit component and a defined contribution component. Participants in the plan options previously in existence (Plan Option 4 and Plan Option 5) could elect to transfer their account balances to Plan Option 5A. Plan Options 1, 2, 3, and 4 were closed to new hires.

At the September 30, 2019 measurement date, the following employees were covered by the Plan:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	229
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	12
Active Plan Members	<u>316</u>
Total Plan Members	557



(b) Pension Benefits

Benefits are paid monthly over the member's or survivor's lifetime, after meeting normal retirement or duty disability retirement requirements, which vary by option, based on the following percentages of average final compensation, for each year of credited service:

Plan Option 1 – 2.65 percent for each year of service. Maximum Authority-financed portion is 75 percent of average final compensation (less workers' compensation payments). Minimum monthly pension is \$5 times years of service.

Plan Option 2 – 1 percent for each year up to 20 years and 1.25 percent for each year over 20 years. Maximum Authority-financed portion is 75 percent of average final compensation (less worker's compensation payments).

Plan Option 3 – 1.5 percent for each year up to 20 years, 2 percent for each year between 20 and 25 years, and 2.5 percent for each year over 25 years. Maximum Authority-financed portion is 75 percent of average final compensation (less workers' compensation payments).

Plan Option 5 – 1.25 percent for each year up to 20 years and 1.5 percent for each year over 20 years. Maximum pension is 75 percent of average final compensation (less workers' compensation payments). For member of International Association of Fire Fighters Local 741, 2.0 percent for each year of service credited after July 24, 2019.

Plan Option 5A – 1.50 percent for each year up to 20 years and 1.75 percent for each year over 20 years. Maximum pension is 75 percent of average final compensation (less workers' compensation payments). For member of International Association of Fire Fighters Local 741, 2.0 percent for each year of service credited after July 24, 2019.

Death and disability benefits – The Plan also provides nonduty death and disability benefits to members after 10 years of credited service for Plan Options 1, 5 and 5A, along with nonduty disability for Plan Option 2 and nonduty death benefits for Plan Option 3. The 10-year service provision is waived for duty disability and death benefits for Plan Options 1, 5, and 5A and duty disability for Plan Option 2.

(c) Contributions

Participants in Plan Option 1 contribute 2.00 percent to 6.58 percent of annual compensation, depending on years of credited service. Participants in Plan Option 2 do not make plan contributions, but receive a lower final benefit. Plan Option 3 participants make contributions of 3.0 percent of covered compensation and receive a lower final benefit.

Participants in Plan Option 5 with a 1.25/1.5 percent multiplier contribute 0 percent of covered compensation depending on the collective bargaining agreement. Participants in Plan 5 who are members of International Association of Fire Fighters Local 741 contribute 6.00 percent.



Participants in Plan 5A contribute 2.00 percent of annual compensation, unless the Annual Actuarial Valuation Report of the Wayne County Employees' Retirement System show the Authority's funding level less than 100 percent, then the participant's contribution level will increase to 3 percent until the funding level is at 100 percent. Participants in Plan 5A who are members of International Association of Fire Fighters Local 741 contribute 6.00 percent.

The obligation to contribute and to maintain the Plan for these employees was established by negotiations with the County's and subsequently the Authority's collective bargaining units. For the three-month period ended December 31, 2019, the average Authority's contribution rate was 26.79 percent of annual payroll.

(d) Pension Plan Investments – Policy and Rate of Return

The Retirement Commission is vested with a fiduciary responsibility for administration, management, and proper operation of WCERS. The Plan's assets are held and invested in accordance with the Michigan Public Pension Investment Act 314 of 1965, as amended (Act 55, P.A. 1982). Act 314 incorporates the prudent person rule and requires investment fiduciaries to act solely in the interest of the Plan's participants and beneficiaries.

Accordingly, the Retirement Commission has the authority to invest the Plan's assets in common and preferred stock, obligations of the United States, its agencies or United States government-sponsored enterprises, obligations of any state or political subdivision of a state having the power to levy taxes, bankers' acceptances, certificates of deposit, commercial paper, repurchase agreements, reverse repurchase agreements, real and personal property, mortgages, and certain other investments.

Investment Allocation Policy. The Retirement Commission has established an investment policy statement ("IPS") for the Plan. The IPS outlines the goals and investment objectives of WCERS and is intended to provide guidelines for the investment and management of the Plan's assets. The IPS pursues an investment strategy that protects the financial health of the Plan and reduces risk through prudent diversification of the portfolio across a broad selection of distinct asset classes. Plan assets are invested in the broad investment categories and asset classes to achieve the allocation targets in the below table. Recognizing that returns may vary, causing fluctuations in the relative dollar value levels of assets within classes, the Plan may not maintain strict adherence to the targets in the short-term, but may allow the values to fluctuate within these ranges. Over the long term, the Plan will strive to adhere to the given targets as financially practicable and move toward target allocations in a prudent manner consistent with its fiduciary duty.



The adopted asset allocation policy as of September 30, 2019, was as follows:

Asset Class	Target Allocation
Domestic Equity	35%
International Equity	15%
Domestic Bonds	15%
Domestic High Yield	5%
Real Estate	15%
Alternatives	15%
	100%

Rate of Return. For the year ended September 30, 2019, the annual money-weighted rate of return on plan investments, net of investment expenses, was 2.98 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(e) Net Pension Liability

The Authority has chosen to use September 30, 2019 as its measurement date for the net pension liability. The December 31, 2019 reported net pension liability was determined using a measure of the total pension liability and the pension net position as of September 30, 2019. The September 30, 2019 total pension liability was determined by an actuarial valuation performed as of September 30, 2018.

The difference between the measurement date of September 30, 2019 and the actuarial valuation date of September 30, 2018 is a change in methodology from prior years. Formerly, the measurement date and the actuarial valuation date were the same. This change has been made as a result of the Authority changing the fiscal year end date from September 30 to December 31. Upon changing the fiscal year end date it was necessary to change in the measurement date for reporting purposes.



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Changes in the net pension liability during the measurement year (October 1, 2018 through September 30, 2019) were as follows:

	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at 9/30/19	\$ 173,783,415	\$ 128,126,680	\$ 45,656,735
Changes for the year:			
Service cost	1,980,987	—	1,980,987
Interest	12,340,373	—	12,340,373
Contributions - employer	—	9,342,133	(9,342,133)
Contributions - employee	—	401,266	(401,266)
Net investment income	—	4,482,538	(4,482,538)
Benefit payments, including refunds	(9,166,646)	(9,166,646)	—
Administrative expenses	—	(327,915)	327,915
Other	42,898	—	42,898
Balance at 12/31/19	<u>\$ 178,981,027</u>	<u>\$ 132,858,056</u>	<u>\$ 46,122,971</u>

For the three-month period ended December 31, 2019, the Authority recognized pension expense of \$8,807,218, which is related to the measurement year ending September 30, 2019. At fiscal year end, the Authority reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 2,586,660
Changes in actuarial assumptions	2,810,548
Difference between projected and actual experience	1,798,331
Employer contributions to the plan subsequent to the measurement date	2,476,588
Total	<u>\$ 9,672,127</u>

Deferred outflows of pension resources related to contributions after the measurement date will be a reduction of the net pension liability at December 31, 2019. Amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Fiscal Year	Outflow
2020	\$ 2,537,712
2021	2,270,725
2022	1,423,967
2023	963,135
2024	—
Thereafter	—
Total	<u>\$ 7,195,539</u>

Actuarial Assumptions. The total pension liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.0% to 13.15% including inflation
Investment rate of return	7.25%

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the base year of 2006.

The actuarial assumptions used to calculate contribution rates in the September 30, 2018 valuation were determined using an experience-based table of rates specific to the type of eligibility condition. The experience-based table of rates was last updated for the 2016 valuation pursuant to an experience study of the period beginning October 1, 2010 and ending September 30, 2015.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine this rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The assumed rate of investment return was adopted by the plan’s trustees after considering input from the plan’s investment consultant(s) and actuary. Additional information about the assumed rate of investment return is included in the September 30, 2018 actuarial valuation report.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rate of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class, and in conjunction with a formal study of experience during the period October 1, 2010 through September 30, 2015. These real rates of return are combined to produce the long-term expected



rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan’s target asset allocation as of September 30, 2019, these best estimates of the arithmetic real rates of return are as follows:

Asset Class	Long Term Real Return
Domestic Equity	5.03%
International Equity	5.73%
Domestic Bonds	2.01%
Domestic High Yield	3.53%
Real Estate	4.53%
Alternatives	6.48%
	27.31%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discounted rate of 7.25 percent, as well as what the Authority’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 66,074,398	\$ 46,122,971	\$ 29,207,662

Pension Plan Fiduciary Net Position. Detailed information about the Plan’s fiduciary net position is available in the separately issued financial report. For purposes of measuring the net pension liability, deferred outflows of resources or deferred inflow of resources related to pension and pension expense, information about the Plan’s fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting, and investments are stated at fair value. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with benefit terms.

(f) Pre-2002 Retirees

The Authority participates in the Wayne County Employees’ Retirement System with the County, an agent multiple employer defined benefit plan. Pursuant to Public Act 90 and Michigan Public Act of 2002, the Authority was granted operational jurisdiction of the Detroit Metropolitan Wayne County Airport, the Willow Run Airport, and the Airport Hotel, with the exclusive right, responsibility, and authority to occupy, operate, control, and use them. Prior to the Act, the Authority and its employees were employees of the County. In connection with the Authority’s assumption of control



and operation of the Airports pursuant to Act 90, the Authority was responsible for funding any retirement obligations for those employees that were previously County employees. During fiscal year 2016, the Authority committed to a five-year payment schedule of \$1.1 million per quarter for its estimated share (10.25 percent) of the Combined Pre-2002 Retiree Liability of \$20,948,822 as of September 30, 2015. Prior to the end of the fifth payment year, an actuarial valuation will be prepared to determine the Authority's remaining estimated share of the liability (if any). The funding requirement and payment amortization of any remaining liability will be determined at that time. The terms of this commitment were memorialized in a memorandum of understanding between the Authority, Wayne County and WCERS in fiscal year 2017. The Authority has concluded that this arrangement represents a special funding situation under GASB Statement No. 68. The Authority's liability under this arrangement has been fully paid as of the Authority's measurement date of September 30, 2019, and therefore no liability is presented on the Authority's balance sheet as of December 31, 2019.

(g) Retirement System Wayne County Employees' Defined Contribution Plan

The Wayne County Employees' Retirement System instituted a Defined Contribution Plan (Plan Option 4, Plan Option 4A, Plan Option 5, and Plan Option 5A) under the County's Enrolled Ordinance No. 86-486 (November 20, 1986), as amended. The Plan was established to provide retirement, survivor, and disability benefits to County and Authority employees. The administration, management, and responsibility for the proper operation of the Plan are vested in the trustees of the Wayne County Retirement Commission.

Under Plan Option 4, the Authority contributes \$4.00 for every \$1.00 contributed by each member or, for eligible executives, \$5.00 for every \$1.00 contributed by each member, with the member contributions ranging from 1.0 percent to 2.5 percent (3 percent for employees with 20 or more years of service and 3 percent for eligible executives with 10 or more years of service) of base compensation. Employees hired prior to July 1, 1984 were eligible to transfer from the WCERS Defined Benefit Plan to the Plan through September 30, 2002. Effective September 30, 2012, the Authority closed the Plan Option 4 to new hires.

Classified employees are vested as to employer contributions after three years of service, and executive members are vested after two years of service.

In Plan Option 4, members are able to receive loans from the Defined Contribution Plan. Only active employees with a vested account balance of \$2,000 or more are eligible. Interest on the loans is at the rate of five-year Treasury notes plus 300 basis points (3 percent), rounded to the nearest quarter of a percent.

Participants in Plan Option 4A must contribute 4 percent and can elect to contribute an additional 7.5 percent of their compensation. The Authority makes matching contribution of 8 percent of an employee's compensation. Employees are vested after three years.

Participants in Plan Option 5 and Plan Option 5A contribute 3 percent of gross pay. The Authority makes matching contributions at a rate equal to the amount contributed by each employee.



Employees are vested at 50 percent after one year of service, 75 percent after two years of service, and 100 percent after three years of service.

The obligation to contribute and to maintain the Plan for these employees was established by negotiations with the Authority’s collective bargaining units. Total Authority employer and employee contributions to the Plan during the three-month period ended December 31, 2019 were \$1,042,890 and \$484,090, respectively.

(11) Other Post-Employment Benefits

Wayne County Airport Authority Retiree Health Care Plan

(a) Plan Description

As provided for in the Authority Act, the Authority provides hospitalization and other health insurance benefits for retirees, pursuant to agreements with various collective bargaining units or other actions of the Authority Board. Benefits are provided through the Wayne County Airport Authority Retiree Health Care Plan, a single employer defined benefit plan. The Municipal Employees’ Retirement System (MERS) is the plan custodian. The plan does not issue a separate stand-alone financial statement.

At the September 30, 2019 valuation date, the following members were covered by the plan:

Retirees and Beneficiaries Currently Receiving Benefits	253
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	414
Total Plan Members	667

(b) Benefits Provided

Benefits are provided after normal retirement or non-duty disability subject to age and service requirements established in respective collective bargaining agreements. Benefits are provided after duty disability with no age or service requirement. Medical and prescription drug coverage is provided to retirees under the age of 65 and their eligible dependents, and the cost of federal Medicare premiums and supplemental hospitalization is paid for retirees over 65 and their eligible dependents, as these costs are incurred by the retirees.

(c) Contributions

In September 2008, the Authority created and began funding an Act 149 Health Care Trust (Trust). The Trust provides a funding mechanism for the Wayne County Airport Authority Retiree Healthcare Plan. In September 2012, the Authority transferred the assets of the Trust into a MERS of Michigan Retiree Health Funding Vehicle, which is held in a separate reserve, but invested on a pooled basis



by MERS with other governmental units. The balance as of December 31, 2019 in this restricted plan is \$77,530,546.

Retiree healthcare costs are generally paid by the Authority on a “pay-as-you-go” basis, and funds are accumulated in the Trust for the payment of future benefits. The Authority is under no obligation to make contributions to the Trust in advance of when costs are incurred; however, the Authority’s financial plan is to fund these obligations annually based upon the actuarial recommended contribution. Non-Medicare retirees are required to contribute either 10 percent of the Blue Cross Blue Shield illustrative rate or 10 percent of the lesser of HAP active and HAP retiree premium. For the three-month period ended December 30, 2019 the Authority has paid postemployment healthcare benefits of \$253,128, plus it contributed \$1,500,000 into the Trust.

(d) OPEB Plan Investments

The Chief Financial Officer of the Authority is designated as the investment fiduciary of the OPEB Plan. The OPEB plans assets may be invested in financial instruments permissible under Public Act 314 of 1965, as amended. Act 314 incorporates the prudent person rule and requires investment fiduciaries to act solely in the interest of the plans participants and beneficiaries. Accordingly, OPEB plan funds may be invested in common and preferred stock, obligations of the United States, its agencies or United States government-sponsored enterprises, obligations of any state or political subdivision of a state having the power to levy taxes, bankers’ acceptances, certificates of deposit, commercial paper, repurchase agreements, reverse repurchase agreements, real and personal property, mortgages, and certain other investments.

The Authority Board has approved the establishment of a Public Employee Health Care Fund Investment Policy (Investment Policy). The Investment Policy requires that assets be diversified to minimize the risk of large losses resulting from over-concentration in a specific issuer or class of investments. There have been no changes to the Investment Policy during the three-month period ending December 31, 2019.

Rate of Return. For the three-month period ended December 31, 2019, the annual money-weighted rate of return on plan investments, net of investment expenses, was 5.05 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(e) Net OPEB Liability

The Authority has chosen to use December 31, 2019 as its measurement date for the net OPEB liability. The December 31, 2019 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2019 measurement date. The December 31, 2019 total OPEB liability was determined by an actuarial valuation performed as of September 30, 2018. Update procedures were performed to roll forward the estimated liability to December 31, 2019.



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at 9/30/2019	\$ 126,042,623	\$ 72,348,495	\$ 53,694,128
Changes for the year:			
Service cost	351,394	-	351,394
Interest	2,206,606	-	2,206,606
Differences between expected and actual experience	(1,005,326)	-	-
Contributions - Employer	-	1,736,315	(1,736,315)
Contributions - Employee	-	16,813	(16,813)
Net investment income	-	3,682,051	(3,682,051)
Benefit payments, including refunds	(253,128)	(253,128)	-
Net changes	<u>1,299,546</u>	<u>5,182,051</u>	<u>(3,882,505)</u>
Balance at 12/31/2019	<u>\$ 127,342,169</u>	<u>\$ 77,530,546</u>	<u>\$ 49,811,623</u>

The Plan's fiduciary net position represents 60.88 percent of the total OPEB liability.

For the three-month period ended December 31, 2019, the Authority recognized OPEB revenue of \$2,899,688. At period end, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (8,582,672)
Changes in actuarial assumptions	3,201,843	-
Net difference between projected and actual earnings on OPEB plan investments	<u>290,338</u>	<u>-</u>
Total	<u>\$ 3,492,181</u>	<u>\$ (8,582,672)</u>



NOTES TO BASIC FINANCIAL STATEMENTS

December 31, 2019

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
2020	\$ (1,295,926)
2021	(1,295,926)
2022	(1,293,300)
2023	(731,692)
2024	(473,647)
Thereafter	-
Total	\$ <u>(5,090,491)</u>

Actuarial Assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using a wage inflation assumption of 3.0 percent; assumed salary increases (including inflation) ranging from 3.0 percent to 13.15 percent; an investment rate of return (net of investment expenses) of 7.0 percent; an initial healthcare cost trend rate of 8.25 percent for 2019, gradually decreasing to an ultimate rate of 3.5 percent for 2028 and later years; and using the RP-2014 Healthy Annuitant Mortality table with the MP-2016 mortality improvement scale. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used to calculate contribution rates in the September 30, 2018 valuation were determined using an experience-based table of rates specific to the type of eligibility condition. The experience-based table of rates was last updated pursuant to an experience study of the period beginning October 1, 2010 and ending September 30, 2015.

Discount Rate. The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. The discount rate reflects 1) the long-term expected rate of return on OPEB plan investments of 7.0 percent and 2) a municipal bond rate of 2.75 percent (based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-Year GO AA Index” as of December 31, 2019).

Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Investment Rate of Return. The long-term expected rate of return on OPEB plan investments was determined using a forward-looking estimate of capital market returns model for each investment major asset class. These ranges are combined to produce the long-term expected rate of return by



weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and investment percentages. The target allocation and best estimate of arithmetic real rates of return for each asset class are summarized in the following table:

<u>Fund Name</u>	<u>Long Term Real Return</u>
MERS Established Market Portfolio	4.20%
MERS Total Market Portfolio	5.25%

Sensitivity of Net OPEB Liability to Changes in the Discount Rate. The following presents the net OPEB liability of the Authority, calculated using the discount rate of 7.0 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6.0%	Current Rate Assumption 7.0%	1% Increase 8.0%
Net OPEB Liability \$	67,186,629	\$ 49,811,623	\$ 35,517,559

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the net OPEB liability of the Authority, calculated using the healthcare cost trend rate of 8.5 percent, as well as what the Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 7.5%	Current Healthcare Cost Trend Rate Assumption 8.5%	1% Increase 9.5%
Net OPEB Liability \$	33,564,011	\$ 49,811,623	\$ 69,721,096

(12) Due to Other Governmental Units - Wayne County Health and Welfare Plan (Pre-2002)

As provided for in the Authority Act, the Authority, through the County, provides hospitalization and other health insurance for retirees pursuant to agreements with various collective bargaining units or other actions of the Wayne County Board of Commissioners, the Wayne County Retirement Board, or the Authority Board. Benefits are provided to retirees under the age of 65 and their eligible dependents, and the cost of federal Medicare premiums and supplemental hospitalization is paid for retirees over 65 and their eligible dependents as these costs are incurred by the retirees. Currently, the plan's members include retirees for the County and the Authority that retired before September 1, 2002. The plan is closed to new members.



During the year ended September 30, 2016, the County Commission adopted an ordinance amending the 1990 Wayne County Health and Welfare Plan. The ordinance provided for stipend payments in lieu of healthcare benefits for Plan members that meet certain eligibility requirements. Plan members that receive the stipend benefit are required to file annual certifications related to the use of this stipend for health care benefits. Plan members may become ineligible for this stipend benefit upon eligibility for another health care plan.

The Authority's liability under this arrangement as of December 31, 2019 is \$4,395,000. To date, the Authority has made \$1,727,205 in payments related to these stipend benefits.

(13) Subsequent Events

In calendar year 2020 a new strain of coronavirus ("COVID-19") spread to numerous countries throughout the world, including the United States. The outbreak of COVID-19 has been characterized as a global pandemic by the World Health Organization. As a result of the COVID-19 pandemic, many governmental entities in the United States and throughout the world have issued directives limiting travel, reducing social gatherings, and restricting the movement of individuals.

The pandemic, and the resulting restrictions, have caused disruption in aviation activity and passenger traffic at the Authority and at Airports around the world. As of the date of issuance of the financial statements, the Authority's operations in 2020 have been significantly impacted and the outlook for the airport sector has been revised to negative by the ratings agencies S&P and Fitch (it is noted that the Authority received an upgrade to the ratings of its revenue bonds from Moody's in February of 2020, with senior lien bonds being upgraded from A2 to A1 and junior lien bonds being upgraded from A3 to A2). The Authority is monitoring the situation as it continues to develop.

On March 25, Congress and the White House agreed to a COVID-19 assistance package, which includes \$10 billion from the federal general fund to remain available until expended for airports to prevent, prepare for, and respond to coronavirus. Through the assistance package, which was signed into law as the Coronavirus Aid, Relief, and Economic Security Act – or the Cares Act, the Authority expects to be eligible for grant revenue of approximately \$142 million for DTW and \$157,000 for Willow Run Airport.

No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. In addition, while the Authority's results of operations, cash flows and financial condition could be negatively impacted, the extent of the impact cannot be reasonably estimated at this time.

In addition, through the date the financial statements were available to be issued, the market value of the assets held in trust in the MERS Retiree Health Funding Vehicle for other postemployment benefits has declined by approximately 11%, or approximately \$8.6 million. The Authority has a committee, policy and strategy to achieve its long-term rate of return targets. The Authority does not pay benefits from the assets held in trust and will consider funding levels as part of its continuous review of its funding policy.



(14) Upcoming Reporting Changes

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2020.

In March, 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which improves accounting and financial reporting for arrangements where a governmental entity contracts with an operator to provide public services by conveying control of the right to operate or use nonfinancial assets, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. It establishes the definitions of public-private and public-public partnerships (PPP's) and availability payment arrangements (APA's) and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions. It requires governments to report assets and liabilities related to PPP's consistently and disclose important information about PPP transactions. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending December 31, 2023.

Currently, the GASB is consider postponing all Statement and Implementation Guide provisions with an effective date that begins on or after reporting periods beginning after June 15, 2018. This consideration is being made as a result of the closure of many state and local government offices due to the Covid-19 pandemic. The Board plans to consider an Exposure Draft for issuance on this topic in April and will finalize guidance in May of 2020.

(15) Change in Fiscal Year

During its meeting on August 21, 2019, the Wayne County Airport Authority Board approved a resolution which amends the Authority's fiscal year to begin January 1 and end December 31 annually. For transitional purposes, the resolution also established a single three-month reporting period beginning October 1, 2019 and ending December 31, 2019. At the end of the three-month reporting period the newly adopted fiscal year will begin on January 1, 2020.

REQUIRED SUPPLEMENTARY INFORMATION



REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019

Schedule of Changes in the Authority's Net Pension Liability and Related Ratios

Period End:	[1]					
	12/31/2019	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Total Pension Liability						
Service cost	\$ 1,980,987	\$ 1,980,134	\$ 2,078,813	\$ 2,035,141	\$ 1,910,254	\$ 1,784,942
Interest	12,340,373	11,886,244	11,459,580	10,943,315	10,408,880	10,007,566
Changes in benefits	-	-	-	-	-	1,083,361
Difference between expected and actual experience	0	1,299,631	913,793	3,004,584	2,360,317	-
Changes in actuarial assumptions	-	-	-	8,982,156	-	-
Benefit payments, including refunds	(9,166,646)	(8,682,126)	(8,359,546)	(7,901,621)	(7,790,299)	(7,621,347)
Other	42,898	697	5,315	-	-	-
Net Change in Total Pension Liability	5,197,612	6,484,580	6,097,955	17,063,575	6,889,152	5,254,522
Total Pension Liability - Beginning of Year	173,783,415	167,298,835	161,200,880	144,137,305	137,248,153	131,993,631
Total Pension Liability - End of Year	\$ 178,981,027	\$ 173,783,415	\$ 167,298,835	\$ 161,200,880	\$ 144,137,305	\$ 137,248,153
Plan Fiduciary Net Position						
Contributions - Employer	\$ 9,342,133	\$ 7,265,285	\$ 6,345,861	\$ 11,021,191	\$ 13,105,600	\$ 8,475,718
Contributions - Member	401,266	345,445	367,168	334,437	2,168,732	1,359,927
Net investment income	4,482,538	8,118,259	13,119,125	10,247,311	786,957	8,502,195
Administrative expenses	(327,917)	(326,599)	(344,164)	(318,694)	(919,758)	(319,237)
Benefit payments, including refunds	(9,166,646)	(8,682,126)	(8,359,546)	(7,901,621)	(7,790,299)	(7,621,347)
Net Change in Plan Fiduciary Net Position	4,731,374	6,720,264	11,128,444	13,382,624	7,351,232	10,397,256
Plan Fiduciary Net Position - Beginning of Year	128,126,682	121,406,418	110,277,974	96,895,350	89,544,118	79,146,862
Plan Fiduciary Net Position - End of Year	\$ 132,858,056	\$ 128,126,682	\$ 121,406,418	\$ 110,277,974	\$ 96,895,350	\$ 89,544,118
Authority's Net Pension Liability - Ending	\$ 46,122,971	\$ 45,656,733	\$ 45,892,417	\$ 50,922,906	\$ 47,241,955	\$ 47,704,035
Plan Fiduciary Net Position as a % of Total Pension Liability	74.23%	73.73%	72.57%	68.41%	67.22%	65.24%
Covered Payroll	\$ 29,101,990	\$ 29,101,990	\$ 29,022,520	\$ 30,105,635	\$ 28,300,056	\$ 27,197,880
Authority's Net Pension Liability as a % of Covered Payroll	158.49%	156.89%	158.13%	169.15%	166.93%	175.40%

Schedule of Contributions

Period End:	[1]					
	12/31/2019	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Actuarially determined contribution	\$ 1,829,472	\$ 7,059,410	\$ 7,167,820	\$ 5,958,323	\$ 6,924,296	\$ 7,001,434
Contributions in relation to the actuarially determined contribution	2,476,590	7,342,133	7,265,285	6,345,861	11,021,191	13,105,600
Contribution Deficiency (Excess)	\$ (647,118)	\$ (282,723)	\$ (97,465)	\$ (387,538)	\$ (4,096,895)	\$ (6,104,166)
Covered Payroll	\$ 6,960,405	\$ 28,829,452	\$ 29,101,990	\$ 29,022,520	\$ 30,105,635	\$ 28,300,056
Contributions as a Percentage of Covered Payroll	35.58%	25.47%	24.96%	21.87%	36.61%	46.31%

[1] – Data is presented as of December 31, 2019. A three-month reporting period has been completed to facilitate a change in the fiscal year end from September 30 to December 31. The subsequent reporting period will be identified as 2020. The activity recognized during this period relates to the measurement year October 1, 2018 through September 30, 2019.

GASB Statement No. 68 was implemented on September 30, 2015 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Notes to Schedule of Authority Contributions

Valuation date Actuarially determined contribution rates are calculated as of September 30 each year, which is one period prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, Closed
Remaining amortization period	18 years decreased by two years annually
Asset valuation method	4-year smoothed market; 20% corridor
Wage inflation	3.00% as of September 30, 2016. Before that, 3.50%.
Salary increases	3.00% to 13.15% including inflation as of September 30, 2016. Before that, 3.50% to 8.80% including inflation.
Investment rate of return	7.25% as of September 30, 2016. Before that, 7.75%.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2016 valuation pursuant to an experience study of the period October 1, 2010 - September 30, 2015.
Mortality	As of September 30, 2016: RP-2014 Healthy Annuitant Mortality table for males and females, adjusted for mortality improvement back to the base year of 2006. Mortality rates for a particular calendar year are determined by applying the MP-2016 Mortality Improvement scale to the above described tables. The corresponding Disabled and Employee tables were used for disability and pre-retirement mortality, respectively. Before September 30, 2016: RP-2000 Combined Healthy Mortality Table projected 20 years. Set forward 5 years for disabled retirees.
Cost of living adjustment	None

Other Information The investment rate of return was assumed to be 7.25% as of September 30, 2016. Before that, it was assumed to be 7.75%.

A new mortality table was used as of September 30, 2016. See "Mortality" section above for detail of mortality assumptions used as of September 30, 2016 and before.

Schedule of Changes in the Authority's Net OPEB Liability and Related Ratio

Period End:	[1]		
	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Total OPEB Liability			
Service cost	\$ 334,581	\$ 1,403,556	\$ 1,644,712
Interest	2,206,606	8,504,400	8,092,952
Changes in benefits	-	-	-
Difference between expected and actual experience	(1,005,326)	(8,533,132)	(2,346,793)
Changes in actuarial assumptions	-	4,332,630	-
Benefit payments, including refunds	(236,315)	(908,974)	(1,875,930)
Other	-	-	-
Net Change in Total OPEB Liability	<u>1,299,546</u>	<u>4,798,480</u>	<u>5,514,941</u>
Total OPEB Liability - Beginning of Year	<u>126,042,623</u>	<u>121,244,143</u>	<u>115,729,202</u>
Total OPEB Liability - End of Year	\$ <u>127,342,169</u>	\$ <u>126,042,623</u>	\$ <u>121,244,143</u>
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,736,315	\$ 6,908,974	\$ 9,573,821
Net investment income	3,682,051	1,846,127	3,264,931
Administrative expenses	0	0	0
Benefit payments, including refunds	(236,315)	(908,974)	(1,875,930)
Net Change in Plan Fiduciary Net Position	<u>5,182,051</u>	<u>7,846,127</u>	<u>10,962,822</u>
Plan Fiduciary Net Position - Beginning of Year	<u>72,348,495</u>	<u>64,502,368</u>	<u>53,539,546</u>
Plan Fiduciary Net Position - End of Year	\$ <u>77,530,546</u>	\$ <u>72,348,495</u>	\$ <u>64,502,368</u>
Authority's Net OPEB Liability - Ending	\$ <u>49,811,623</u>	\$ <u>53,694,128</u>	\$ <u>56,741,775</u>
Plan Fiduciary Net Position as a % of Total OPEB Liability	60.88%	57.40%	53.20%
Covered Employee Payroll	\$ <u>6,963,888</u>	\$ <u>39,597,109</u>	\$ <u>41,144,209</u>
Net OPEB Liability as a Percentage of Covered Payroll	[2]	135.60%	137.91%

Schedule of OPEB Contributions

Period End:	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Actuarially determined contribution	\$ 1,727,912	6,738,758	\$ 6,885,604
Contributions in relation to the actuarially determined contribution	<u>1,736,315</u>	<u>6,908,974</u>	<u>9,573,821</u>
Contribution Deficiency (Excess)	\$ <u>(8,403)</u>	\$ <u>(170,216)</u>	\$ <u>(2,688,217)</u>
Covered Employee Payroll	\$ 6,963,888	39,597,109	\$ 41,144,209
Contributions as a Percentage of Covered Employee Payroll	24.93%	17.45%	23.27%

Schedule of Returns

Period End:	[1]		
	<u>12/31/2019</u>	<u>9/30/2019</u>	<u>9/30/2018</u>
Return on OPEB plan investments	5.05%	2.95%	5.78%

[1] – Data is presented as of December 31, 2019. A three-month reporting period has been completed to facilitate a change in the fiscal year end from September 30 to December 31. The subsequent reporting period will be identified as 2020.

[2] - Calculation not reported for the stub period as covered payroll presented includes only three months of activity.

GASB Statement No. 75 was implemented September 30, 2018 and does not require retroactive implementation. Data will be added as information is available until 10 years of such information is available.

Notes to Schedule of Authority Contributions

Valuation date Actuarially determined contribution amounts for the three- month period ended December 31, 2019 were based on the September 30, 2018 actuarial valuation.

Methods and assumptions used to determine contribution rates

Actuarial cost method	Entry-Age Normal
Amortization method	Level Dollar
Remaining amortization period	22 years, Closed
Asset valuation method	Market Value of Assets
Price inflation	2.50%
Wage inflation	3.00%
Salary increases	3.00% to 13.15%
Investment rate of return	7.00%, net of OPEB plan investment expense
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Healthy Annuitant Mortality table, adjusted back to the base year of 2006. Mortality rates are determined by applying the MP-2016 Mortality Improvement scale.
Healthcare trend rates	Initial trend of 8.25% gradually decreasing to an ultimate trend rate of 3.50% in year 10.
Excise Tax	No load was applied in connection with the "Cadillac" tax
Aging Factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death"

Other Information

Notes There were no benefit changes during the year

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Documents Incorporated By Reference

Three-Months Ended December 31, 2019

Portions of the following documents are incorporated herein by reference into sections of the Financial Report as indicated:

<u>Document</u>	<u>Part of Financial Report into which incorporated</u>
None ^(a)	Not applicable

(a) There was no public debt issued during the three-month period ended December 31, 2019

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #1

Debt Service Requirements and Coverage

Three-month period ended December 31, 2019

(Unaudited)

	Net revenues available - [1] (thousands)	Total debt service requirements (thousands)	Debt service coverage	Airline cost per enplaned passenger
Senior Lien	\$ 106,717	\$ 45,454	2.35	\$ 9.48
Total Senior Lien and Junior Lien	\$ 106,717	\$ 48,112	2.22	\$ 9.48

[1] - Includes net revenues, revenue fund balance, and other available monies

Source: Wayne County Airport Authority

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #2

Operation and Maintenance Expenses

Operating years ended September 30 and

Three-month period ended December 31, 2019

(In thousands of dollars, except as noted)

(Unaudited)

Description	Three-month Period Ended Dec. 31, 2019	OY 2019	OY 2018	OY 2017	OY 2016
Salaries and wages	\$ 15,635	\$ 60,996	\$ 58,693	\$ 57,511	\$ 52,684
Employee benefits	10,514	35,825	35,840	28,720	35,497
	<u>26,149</u>	<u>96,821</u>	<u>94,533</u>	<u>86,231</u>	<u>88,181</u>
Contractual services:					
Parking management	1,823	7,607	8,405	7,987	7,909
Hotel management (a)	5,399	19,746	19,702	18,612	22,678
Security expenses	1,553	6,000	6,031	5,149	3,745
Janitorial services	4,120	16,917	14,406	13,515	11,992
Shuttle bus	2,002	7,779	6,849	8,169	7,194
Other services	7,226	26,135	27,920	23,893	24,870
Total contractual services	<u>22,123</u>	<u>84,184</u>	<u>83,313</u>	<u>77,325</u>	<u>78,388</u>
Wayne County administrative services	18	123	123	86	103
Repairs and maintenance	8,740	36,445	33,039	32,251	33,123
Supplies and other operating expenses	3,550	15,677	14,740	13,921	13,791
Insurance	460	1,878	1,902	2,049	2,075
Utilities	5,195	22,870	23,388	22,947	21,939
Rentals	36	284	182	123	113
Interest expense and paying agent fees	—	95	109	121	92
Capital expenses	2,470	10,177	8,816	13,216	10,874
	<u>20,469</u>	<u>87,549</u>	<u>82,299</u>	<u>84,714</u>	<u>82,110</u>
Total O&M expenses	<u>\$ 68,741</u>	<u>\$ 268,554</u>	<u>\$ 260,145</u>	<u>\$ 248,270</u>	<u>\$ 248,679</u>

- (a) On October 15, 2015, the Authority entered into a new hotel management agreement and the 2001A Hotel Bonds, which were special facility revenue bonds, were refunded by the 2015G-H Airport Revenue Refunding Bonds. As a result, as of October 15, 2015, the net revenues of the Hotel are included in the Net Revenues pledged toward the repayment of all the Authority's general airport revenue bonds and hotel management expenses are included in the Authority's operation and management expenses. At this time, all outstanding bonds, including the 2015G-H Airport Revenue Refunding Bonds, are all general airport revenue bonds.

Source: Wayne County Airport Authority

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #3

Operating Revenues

Operating years ended September 30 and

Three-month period ended December 31, 2019

(In thousands of dollars, except as noted)

(Unaudited)

Description	Three-month Period Ended Dec. 31, 2019	OY 2019	OY 2018	OY 2017	OY 2016
Airline revenues:					
Rental and use fees:					
Terminal building rentals and fees	\$ 16,374	\$ 66,670	\$ 63,641	\$ 60,688	\$ 61,227
Common-use/shared-use area rentals	6,306	24,556	23,770	22,632	24,161
Debt service recapture	247	988	988	1,109	1,718
Facilities use fees	2,116	9,714	8,877	8,475	8,036
Less rental fee adjustment	<u>(1,580)</u>	<u>(3,317)</u>	<u>(3,666)</u>	<u>(2,447)</u>	<u>(2,820)</u>
Total rental and use fees	<u>23,463</u>	<u>98,611</u>	<u>93,610</u>	<u>90,457</u>	<u>92,322</u>
Activity fees:					
Signatory airlines	19,931	78,071	77,092	76,305	75,525
Nonsignatory airlines	771	5,941	3,151	3,832	3,452
Less landing fee adjustment	<u>(489)</u>	<u>(4,281)</u>	<u>(3,505)</u>	<u>(643)</u>	<u>(931)</u>
Total activity fees	<u>20,213</u>	<u>79,731</u>	<u>76,738</u>	<u>79,494</u>	<u>78,046</u>
Total airline revenues	<u>43,676</u>	<u>178,342</u>	<u>170,348</u>	<u>169,951</u>	<u>170,368</u>
Nonairline revenues:					
Concessions:					
Automobile parking	21,834	83,657	80,248	76,707	74,498
Hotel (b)	8,816	32,735	31,368	29,928	33,890
Rental car	6,104	25,867	26,164	24,949	23,872
Food and beverage	5,396	21,178	20,703	19,427	18,016
Retail	3,665	14,815	14,734	13,296	12,745
Marketing and communications	463	1,671	1,721	1,566	1,635
Other concessions	<u>1,038</u>	<u>5,273</u>	<u>5,141</u>	<u>5,001</u>	<u>5,110</u>
Total concessions	47,316	185,196	180,079	170,874	169,766
Rentals	1,014	3,756	3,673	3,422	3,666
Utility fees	1,165	4,739	4,970	4,903	4,691
Interest income	328	1,502	792	337	162
Ground transportation	3,133	11,375	10,199	7,814	5,125
Other (a)	<u>2,907</u>	<u>10,939</u>	<u>9,437</u>	<u>9,506</u>	<u>8,951</u>
Total nonairline revenues	<u>55,863</u>	<u>217,507</u>	<u>209,150</u>	<u>196,856</u>	<u>192,361</u>
Total operating revenues	\$ <u>99,539</u>	\$ <u>395,849</u>	\$ <u>379,498</u>	\$ <u>366,807</u>	\$ <u>362,729</u>

- (a) Includes shuttle bus revenue, badging fees, miscellaneous fees, chargebacks, insurance recoveries, and state and federal grants
- (b) On October 15, 2015, the Authority entered into a new hotel management agreement and the 2001A Hotel Bonds, which were special facility revenue bonds, were refunded by the 2015G-H Airport Revenue Refunding Bonds. As a result, as of October 15, 2015, the net revenues of the Hotel are included in the Net Revenues pledged toward the repayment of all the Authority's general airport revenue bonds and hotel management expenses are included in the Authority's operation and management expenses. At this time, all outstanding bonds, including the 2015G-H Airport Revenue Refunding Bonds, are all general airport revenue bonds.

Source: Wayne County Airport Authority

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #4

Application of Revenues

Operating years ended September 30 and

Three-month period ended December 31, 2019

(In thousands of dollars, except as noted)

(Unaudited)

	Three-month Period Ended				
	Dec. 31, 2019	OY 2019	OY 2018	OY 2017	OY 2016
Revenues:					
Airline revenues	\$ 43,676	\$ 178,342	\$ 170,348	\$ 169,951	\$ 170,368
Nonairline revenues	55,863	217,507	209,150	196,856	192,361
Interest income generated in bond funds and reserves	628	2,817	5,415	5,649	8,091
Other available monies:					
PFC contributions	18,850	70,941	73,174	66,473	66,178
Capitalized interest contribution	1,499	6,517	3,078	2,104	13,219
Other	2,039	8,696	4,550	6,751	4,604
Total revenues	\$ 122,555	\$ 484,820	\$ 465,715	\$ 447,784	\$ 454,821
Priority					
Application of revenues:					
1 Operation and Maintenance Fund (a)	\$ 71,822	\$ 279,746	\$ 271,452	\$ 258,266	\$ 259,980
2 Bond Fund	45,454	183,299	174,462	167,681	172,095
3 Junior Lien Bond Fund	2,658	10,514	11,190	12,276	12,270
4 Operation and Maintenance Reserve Fund	—	777	100	1,050	1,965
5 Renewal and Replacement Fund	125	500	500	500	500
6 County Discretionary Fund	88	350	350	350	350
7 Airport Development Fund	2,408	9,634	7,661	7,661	7,661
Total application of revenues	\$ 122,555	\$ 484,820	\$ 465,715	\$ 447,784	\$ 454,821

(a) Includes amounts applied to the Hotel Furniture, Fixtures and Equipment Account established under the Authority's hotel management agreement effective October 15, 2015.

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #5

Net Revenues and Debt Service Coverage

Three-Month Period Ended December 31, 2019

(In thousands of dollars, except as noted)

(Unaudited)

Revenues:		
Revenues		\$ 99,539
Revenue fund balance at beginning of year		57,483
Other available monies:		
PFC contributions		18,850
Other		2,039
Interest income generated in bond funds and reserves		<u>628</u>
Total revenues	[A]	178,539
Operation and maintenance expenses	[B]	<u>71,822</u>
Net revenues available for Sr. Lien debt service	[A - B] = [C]	106,717
Bond debt service - Senior Lien	[D]	<u>45,454</u>
Net revenues available for Jr. Lien debt service	[C - D] = [E]	61,263
Bond debt service - Junior Lien	[F]	<u>2,658</u>
Net revenues remaining in revenue fund	[E - F] = [G]	58,605
Debt service coverage:		
Senior Lien bonds	[C]/[D]	2.35
Senior Lien and Junior Lien bonds	[C]/[D + F]	2.22
Rate covenant elements:		
Operation and maintenance expenses	[B]	\$ 71,822
125% debt service – Bonds	[(1.25 x D) + F]	59,476
Other fund requirements		<u>2,621</u>
Total rate covenant elements		<u>\$ 133,919</u>

Source: Wayne County Airport Authority

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #6

Historical Airline Passenger Enplanements

Operating years ended September 30 and

Three-month period ended December 31, 2019

(Unaudited)

Operating Period	Domestic	International	Total	Percent Increase - [1]
Three-month period ended Dec. 31, 2019	4,219,172	389,036	4,608,208	1.7%
Operating Year 2019	16,439,208	1,681,985	18,121,193	3.2
Operating Year 2018	15,917,537	1,641,081	17,558,618	1.6
Operating Year 2017	15,725,513	1,555,706	17,281,219	0.9
Operating Year 2016	15,679,556	1,451,131	17,130,687	4.2
Operating Year 2015	15,008,299	1,435,479	16,443,778	1.4

[1] - Percent increase for the three-month period ended Dec. 31, 2019 has been calculated by annualizing activity and comparing annualized totals to the prior operating year.

Source: Wayne County Airport Authority records

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #7

Historical Comparative Total Enplanements

Calendar years ending December 31

(Unaudited)

Calendar year	Detroit Metro		United States		Detroit as a percentage of U.S. total
	Number of passengers	Percent increase	Number of passengers	Percent increase	
2019	17,344,278	1.3%	858,820,897	2.7%	2.0%
2018	17,126,910	2.0	836,503,477	4.8	2.0
2017	16,794,750	1.1	798,509,085	3.1	2.1
2016	16,613,139	3.6	774,740,631	3.3	2.1
2015	16,038,743	2.9	750,164,431	4.8	2.1

Note: 2019 estimate based on nine months of data; 2018 updated with final data

Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Airport Activity Statistics of Certificated Route Air Carriers, Form 41, Schedule T3

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #8

Historical Airline Departures

Calendar years ending December 31

(Unaudited)

Calendar year	Departures by carrier type			Total departures	
	Majors	Nationals	Regionals	Total (a)	Percent increase (decrease)
2019	136,154	52,167	832	189,153	0.9%
2018	135,132	51,323	940	187,395	(0.7)
2017	136,630	51,590	498	188,718	0.2
2016	134,536	52,760	1,043	188,339	3.6

(a) Total does not include departures by commuters or charters.

Note: 2019 estimate based on nine months of data; 2018 updated with final data

Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Airport Activity Statistics of Certificated Route Air Carriers, Form 41, Schedule T3

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #9

Historical Domestic Originations and Connections

Calendar years ending December 31

(Unaudited)

Calendar year	Domestic originations		Domestic connections	
	Number	Percent of total	Number	Percent of total
2019	9,209,612	55.2%	7,464,494	44.8%
2018	8,859,449	55.4	7,119,271	44.6
2017	8,375,102	52.9	7,443,497	47.1
2016	7,912,591	50.2	7,837,911	49.8

Note: 2019 estimate based on nine months of data; 2018 updated with final data

Source: U.S. Department of Transportation Origin and Destination Passenger Ticket Survey, 298c
Commuter Data, Airport Activity Statistics of Certificated Route Air Carriers, and Wayne County
Airport Authority records.

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #10

Historical Airline Market Shares

Operating years ended September 30

Three-month period ended December 31, 2019

(Unaudited)

Airline	Three-month period ended Dec. 31, 2019		OY 2019		OY 2018	
	Enplaned passengers	Percent of market	Enplaned passengers	Percent of market	Enplaned passengers	Percent of market
Domestic:						
Alaska Airlines	12,560	0.4%	66,494	0.5%	103,328	0.7%
American/US Airways (Air Wisconsin) ⁽²⁾	—	—	—	—	2,541	—
American/US Airways (Envoy) ⁽¹⁾⁽²⁾	11,923	0.3	42,858	0.3	44,557	0.3
American/US Airways (Mesa) ⁽²⁾	—	—	—	—	—	—
American/US Airways (Piedmont) ⁽²⁾	5,794	0.1	22,024	0.1	25,553	0.2
American/US Airways (PSA) ⁽²⁾	14,599	0.3	77,446	0.5	101,289	0.6
American/US Airways (Republic) ⁽²⁾	42,222	1.0	110,491	0.7	99,408	0.6
American/US Airways (SkyWest) ⁽²⁾	19,324	0.5	107,275	0.7	101,370	0.6
American/US Airways (TransStates) ⁽²⁾	—	—	—	—	—	—
American/US Airways ⁽²⁾	149,269	3.5	616,536	3.8	672,190	4.2
Delta (Chautauqua)	—	—	—	—	—	—
Delta (Compass)	—	—	—	—	—	—
Delta (Endeavor)	258,062	6.1	1,078,599	6.5	1,117,394	7.0
Delta (ExpressJet)	—	—	—	—	137,411	0.9
Delta (GoJet)	180,630	4.3	1,020,755	6.2	1,056,632	6.7
Delta (Republic)	41,827	1.0	202,409	1.2	193,050	1.2
Delta (Shuttle America)	—	—	—	—	—	—
Delta (SkyWest)	484,418	11.5	1,607,625	9.7	1,351,867	8.5
Delta Air Lines	2,153,405	51.0	8,100,030	49.3	7,534,271	47.3
Frontier Airlines	53,179	1.3	156,073	0.9	162,764	1.0
JetBlue Airways	24,963	0.6	97,800	0.6	141,241	0.9
Southwest Airlines	168,250	4.0	739,895	4.5	836,627	5.3
Spirit Airlines	441,980	10.5	1,755,071	10.7	1,607,113	10.1
United Airlines (Air Wisconsin)	75	—	—	—	—	—
United Airlines (ExpressJet)	10,111	0.2	5,374	—	1,637	—
United Airlines (GoJet)	2,101	—	23,516	0.1	22,350	0.1
United Airlines (Mesa)	35,272	0.8	151,636	0.9	148,448	0.9
United Airlines (Republic)	41,509	1.0	182,677	1.1	183,134	1.2
United Airlines (Shuttle America)	—	—	—	—	—	—
United Airlines (SkyWest)	20,437	0.5	60,884	0.4	67,976	0.4
United Airlines (TransStates)	662	—	553	—	579	—
United Airlines	45,219	1.1	202,935	1.2	203,974	1.3
Other ⁽³⁾	1,381	—	10,252	0.1	833	—
Subtotal – Domestic	4,219,172	100.0%	16,439,208	100.0%	15,917,537	100.0%
International:						
Aeromexico	—	—	30,230	1.8	29,317	1.8
Aeromexico Connect	16,815	4.3	48,690	2.9	16,771	1.0
Air Canada (Jazz)	—	—	—	—	—	—
Air Canada (Air Georgian)	11,875	3.0	51,414	3.0	45,462	2.8
Air France	21,368	5.5	76,999	4.6	75,679	4.6
American/US Airways ⁽²⁾	—	—	—	—	—	—
Delta (Compass)	—	—	—	—	—	—
Delta (ExpressJet)	—	—	—	—	—	—
Delta Air Lines	305,622	78.6	1,324,833	78.8	1,315,807	80.2
Frontier	—	—	—	—	—	—
Lufthansa	19,410	5.0	80,019	4.8	89,688	5.4
Royal Jordanian Airlines	3,633	0.9	20,725	1.2	16,163	1.0
Southwest Airlines	—	—	—	—	—	—
Spirit	10,313	2.7	34,953	2.1	36,024	2.2
Virgin Atlantic Airways	—	—	—	—	—	—
WOW air	—	—	14,122	0.8	16,170	1.0
Other ⁽³⁾	—	—	—	—	—	—
Subtotal – International	389,036	100.0%	1,681,985	100.0%	1,641,081	100.0%
Total – All Markets	4,608,208		18,121,193		17,558,618	

⁽¹⁾ American Eagle Airlines was rebranded as Envoy Air on April 15, 2014, and for comparative purposes all American Eagle data has been combined with Envoy Air in this report.

⁽²⁾ US Airways merged with and into American Airlines on April 8, 2015, and for comparative purposes, all US Airways data has been combined with American Airlines in this report.

⁽³⁾ Includes airlines with minimal market share or that may not operate at the Airport as of Operating Stub Year 2019.

Source: Wayne County Airport Authority records

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #10

Historical Airline Market Shares

Operating years ended September 30

Three-month period ended December 31, 2019

(Unaudited)

Airline	OY 2017		OY 2016		OY 2015	
	Enplaned passengers	Percent of market	Enplaned passengers	Percent of market	Enplaned passengers	Percent of market
Domestic:						
Alaska Airlines	72,380	0.5%	66,040	0.4%	57,636	0.4%
American/US Airways (Air Wisconsin) ⁽²⁾	45,400	0.3	63,898	0.4	34,465	0.2
American/US Airways (Envoy) ⁽¹⁾⁽²⁾	44,914	0.3	67,414	0.4	136,328	0.9
American/US Airways (Mesa) ⁽²⁾	—	—	—	—	13,713	0.1
American/US Airways (Piedmont) ⁽²⁾	8,985	0.1	3,621	—	—	—
American/US Airways (PSA) ⁽²⁾	81,867	0.5	58,585	0.4	39,344	0.3
American/US Airways (Republic) ⁽²⁾	118,354	0.8	156,144	1.0	178,734	1.2
American/US Airways (SkyWest) ⁽²⁾	63,056	0.4	—	—	—	—
American/US Airways (TransStates) ⁽²⁾	13,678	0.1	31,705	0.2	—	—
American/US Airways ⁽²⁾	725,334	4.6	761,214	4.9	732,616	4.9
Delta (Chautauqua)	—	—	—	—	140,318	0.9
Delta (Compass)	117,490	0.7	111,614	0.7	120,847	0.8
Delta (Endeavor)	1,223,918	7.8	1,677,874	10.7	1,556,601	10.4
Delta (ExpressJet)	547,541	3.5	1,150,700	7.3	1,276,020	8.5
Delta (GoJet)	745,286	4.7	230,733	1.5	107,108	0.7
Delta (Republic)	111,888	0.7	—	—	—	—
Delta (Shuttle America)	48,860	0.3	264,188	1.7	475,505	3.2
Delta (SkyWest)	1,114,479	7.1	570,927	3.6	353,817	2.4
Delta Air Lines	7,456,453	47.4	7,486,766	47.8	7,249,879	48.3
Frontier Airlines	208,426	1.3	149,124	1.0	92,038	0.6
JetBlue Airways	142,117	0.9	146,799	0.9	105,591	0.7
Southwest Airlines	848,036	5.4	845,604	5.4	784,365	5.2
Spirit Airlines	1,424,905	9.1	1,289,024	8.2	1,096,225	7.3
United Airlines (Air Wisconsin)	—	—	—	—	—	—
United Airlines (ExpressJet)	5,268	—	9,002	0.1	76,704	0.5
United Airlines (GoJet)	7,011	—	31,741	0.2	42,751	0.3
United Airlines (Mesa)	153,771	1.0	140,502	0.9	80,084	0.5
United Airlines (Republic)	124,655	0.8	92,302	0.6	11,580	0.1
United Airlines (Shuttle America)	4,036	—	32,527	0.2	52,359	0.4
United Airlines (SkyWest)	46,470	0.3	69,388	0.4	65,860	0.4
United Airlines (TransStates)	1,268	—	1,051	—	20,680	0.1
United Airlines	218,781	1.4	171,058	1.1	105,188	0.7
Other ⁽³⁾	886	—	11	—	1,943	—
Subtotal – Domestic	15,725,513	100.0%	15,679,556	100.0%	15,008,299	100.0%
International:						
Aeromexico	19,954	1.3	—	—	—	—
Aeromexico Connect	—	—	—	—	—	—
Air Canada (Jazz)	—	—	4,502	0.3	11,011	0.8
Air Canada (Air Georgian)	40,781	2.6	27,890	1.9	12,969	0.9
Air France	71,462	4.6	71,642	4.9	75,576	5.3
American/US Airways ⁽²⁾	—	—	566	—	520	—
Delta (Compass)	5,841	0.4	18,703	1.3	17,102	1.2
Delta (ExpressJet)	—	—	—	—	—	—
Delta Air Lines	1,275,473	82.0	1,161,607	80.1	1,178,621	82.1
Frontier	—	—	—	—	7,831	0.5
Lufthansa	77,521	5.0	71,472	4.9	76,694	5.3
Royal Jordanian Airlines	14,937	1.0	13,403	0.9	12,225	0.9
Southwest Airlines	—	—	—	—	—	—
Spirit	28,806	1.8	22,575	1.6	22,457	1.6
Virgin Atlantic Airways	19,417	1.2	47,380	3.3	20,442	1.4
WOW air	—	—	—	—	—	—
Other ⁽³⁾	1,514	0.1	11,391	0.8	31	—
Subtotal – International	1,555,706	100.0%	1,451,131	100.0%	1,435,479	100.0%
Total – All Markets	17,281,219		17,130,687		16,443,778	

⁽¹⁾ American Eagle Airlines was rebranded as Envoy Air on April 15, 2014, and for comparative purposes all American Eagle data has been combined with Envoy Air in this report.

⁽²⁾ US Airways merged with and into American Airlines on April 8, 2015, and for comparative purposes, all US Airways data has been combined with American Airlines in this report.

⁽³⁾ Includes airlines with minimal market share or that may not operate at the Airport as of Operating Stub Year 2019.

Source: Wayne County Airport Authority records

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #11

Historical Airline Cargo

Operating years ending September 30 and

Three-month period ended December 31, 2019

(Unaudited)

Operating Period	Cargo by type (metric tons)				Total Cargo	
	Freight and Express (a)		Mail		Total Cargo	Percent increase (decrease)(b)
	Enplaned	Deplaned	Enplaned	Deplaned		
Three-month period ended Dec. 31, 2019	19,868	27,689	2,600	2,881	53,038	(2.9)%
Operating Year 2019	80,607	116,849	11,439	9,624	218,520	(4.1)
Operating Year 2018	84,459	121,248	11,815	10,441	227,963	6.5
Operating Year 2017	78,041	115,305	11,381	9,253	213,980	4.5
Operating Year 2016	81,744	106,500	8,975	7,639	204,858	7.4
Operating Year 2015	77,043	97,381	8,225	8,009	190,658	(8.7)

(a) Includes small packages

(b) Percent increase for the three-month period ended Dec. 31, 2019 has been calculated by annualizing activity and comparing annualized totals to the prior operating year.

Source: Wayne County Airport Authority records

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #12
 Historical Aircraft Landed Weight
 Operating years ended September 30 and
 Three-month period ended December 31, 2019
 (Unaudited)

Airline	Three- month period ended December 31, 2019		OY 2019		OY 2018	
	Landed	Percent of Market	Landed Weight	Percent of Market	Landed	Percent of Market
	Weight (per 1,000 lbs.)		(per 1,000 lbs.)		Weight (per 1,000 lbs.)	
Aeromexico	—	—%	38,416	0.2%	41,408	0.2%
Aeromexico Connect	23,281	0.4	84,050	0.4	27,353	0.1
Air Canada (Jazz)	—	—	—	—	—	—
Air Canada (Air Georgian)	15,134	0.3	68,244	0.3	61,180	0.3
Air France	38,779	0.7	144,745	0.6	137,656	0.6
Alaska Airlines	14,369	0.3	69,143	0.3	117,327	0.5
American/US Airways (Air Wisconsin) ⁽¹⁾	—	—	—	—	2,679	—
American/US Airways (Envoy) ⁽¹⁾	13,771	0.2	48,758	0.2	47,843	0.2
American/US Airways (Mesa) ⁽¹⁾	—	—	—	—	—	—
American/US Airways (Piedmont) ⁽¹⁾	5,718	0.1	21,083	0.1	26,015	0.1
American/US Airways (PSA) ⁽¹⁾	17,491	0.3	96,018	0.4	128,353	0.6
American/US Airways (Republic) ⁽¹⁾	59,136	1.0	148,217	0.7	131,669	0.6
American/US Airways (SkyWest) ⁽¹⁾	23,785	0.4	136,722	0.6	123,201	0.5
American/US Airways (TransStates) ⁽¹⁾	—	—	—	—	—	—
American/US Airways ⁽¹⁾	170,845	3.0	722,725	3.2	785,679	3.6
Delta (Chautauqua)	—	—	—	—	—	—
Delta (Compass)	—	—	—	—	—	—
Delta (Endeavor)	300,065	5.3	1,269,995	5.7	1,315,655	6.0
Delta (ExpressJet)	—	—	—	—	168,179	0.8
Delta (GoJet)	209,028	3.7	1,194,965	5.3	1,253,053	5.7
Delta (Republic)	49,807	0.9	242,409	1.1	226,916	1.0
Delta (Shuttle America)	—	—	—	—	—	—
Delta (SkyWest)	702,962	12.4	2,386,789	10.6	2,069,010	9.4
Delta Air Lines	2,851,469	50.4	11,051,357	49.2	10,584,280	48.2
DHL/ABX	603	—	2,910	—	—	—
DHL/Atlas	1,952	—	5,440	—	61,808	0.3
DHL/ATI	—	—	—	—	—	—
DHL/Kalitta	34,240	0.8	136,272	0.6	71,360	0.3
Federal Express	131,799	2.3	488,855	2.2	496,174	2.3
Frontier	46,770	0.8	136,903	0.6	150,280	0.7
JetBlue Airways	29,754	0.5	120,070	0.5	167,276	0.8
Lufthansa	39,894	0.7	193,610	0.9	194,131	0.9
Royal Jordanian Airlines	9,880	0.2	45,220	0.2	39,520	0.2
Southwest Airlines	180,464	3.2	797,062	3.6	903,968	4.1
Spirit Airlines	417,647	7.4	1,730,349	7.7	1,601,875	7.3
United Airlines (Air Wisconsin)	94	—	94	—	—	—
United Airlines (ExpressJet)	11,648	0.2	6,313	—	1,794	—
United Airlines (GoJet)	2,412	—	25,996	0.1	24,522	0.1
United Airlines (Mesa)	40,231	0.7	173,846	0.8	165,922	0.8
United Airlines (Republic)	52,911	0.9	230,253	1.0	217,724	1.0
United Airlines (Shuttle America)	—	—	—	—	—	—
United Airlines (SkyWest)	22,265	0.4	66,929	0.3	77,164	0.4
United Airlines (TransStates)	701	—	611	—	614	—
United Airlines	50,215	0.9	234,574	1.0	244,621	1.1
United Parcel Service	76,748	1.4	244,804	1.1	221,034	1.0
Virgin Atlantic Airways	—	—	—	—	—	—
WOW air	—	—	17,345	0.1	15,618	0.1
Other ⁽²⁾	11,903	0.2	64,846	0.4	56,608	0.2
Total	5,657,768	100.0%	22,445,938	100.0%	21,959,469	100.0%

⁽¹⁾ US Airways merged with and into American Airlines on April 8, 2015, and for comparative purposes, all US Airways data has been combined with American Airlines in this report.

⁽²⁾ Includes airlines with minimal market share or that may not operate at the Airport as of Operating Stub Year 2019.

Source: Wayne County Airport Authority records

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #12

Historical Aircraft Landed Weight

Operating years ended September 30 and

Three-month period ended December 31, 2019

(Unaudited)

Airline	OY 2017		OY 2016		OY 2015	
	Landed Weight (per 1,000 lbs.)	Percent of Market	Landed Weight (per 1,000 lbs.)	Percent of Market	Landed Weight (per 1,000 lbs.)	Percent of Market
Aeromexico	30,883	0.1%	—	—%	—	—%
Aeromexico Connect	—	—	—	—	—	—
Air Canada (Jazz)	—	—	9,413	—	20,584	0.1
Air Canada (Air Georgian)	61,194	0.3	43,749	0.2	18,548	0.1
Air France	134,507	0.6	134,644	0.6	138,530	0.7
Alaska Airlines	76,993	0.4	65,210	0.3	55,208	0.3
American/US Airways (Air Wisconsin) ⁽¹⁾	53,580	0.2	72,615	0.4	48,927	0.2
American/US Airways (Envoy) ⁽¹⁾	52,670	0.2	77,245	0.4	176,287	0.9
American/US Airways (Mesa) ⁽¹⁾	—	—	—	—	14,333	0.1
American/US Airways (Piedmont) ⁽¹⁾	9,909	—	4,540	—	—	—
American/US Airways (PSA) ⁽¹⁾	102,934	0.5	68,183	0.3	40,838	0.2
American/US Airways (Republic) ⁽¹⁾	149,076	0.7	194,949	0.9	225,467	1.1
American/US Airways (SkyWest) ⁽¹⁾	76,389	0.4	—	—	—	—
American/US Airways (TransStates) ⁽¹⁾	13,613	0.1	28,674	0.1	—	—
American/US Airways ⁽¹⁾	855,276	4.0	861,963	4.0	843,916	4.1
Delta (Chautauqua)	—	—	—	—	141,015	0.7
Delta (Compass)	149,528	0.7	154,667	0.7	165,734	0.8
Delta (Endeavor)	1,439,231	6.7	1,960,734	9.1	1,824,960	8.8
Delta (ExpressJet)	680,318	3.2	1,423,967	6.6	1,544,732	7.5
Delta (GoJet)	888,262	4.1	271,737	1.3	128,707	0.6
Delta (Republic)	130,371	0.6	—	—	—	—
Delta (Shuttle America)	58,320	0.3	276,165	1.3	480,607	2.3
Delta (SkyWest)	1,643,645	7.6	864,151	4.0	465,842	2.3
Delta Air Lines	10,505,297	48.6	10,616,006	49.5	10,615,528	51.5
DHL/ABX	—	—	—	—	—	—
DHL/Atlas	118,096	0.5	119,608	0.6	—	—
DHL/ATI	198	—	4,950	—	—	—
DHL/Kalitta	—	—	—	—	—	—
Federal Express	470,760	2.2	483,114	2.3	479,295	2.3
Frontier	189,950	0.9	140,122	0.7	100,624	0.5
JetBlue Airways	162,534	0.8	168,108	0.8	129,654	0.6
Lufthansa	170,089	0.8	165,418	0.8	162,237	0.8
Royal Jordanian Airlines	38,380	0.2	39,520	0.2	38,257	0.2
Southwest Airlines	931,658	4.3	898,636	4.2	854,196	4.1
Spirit Airlines	1,405,062	6.5	1,293,177	6.0	1,129,323	5.5
United Airlines (Air Wisconsin)	—	—	—	—	—	—
United Airlines (ExpressJet)	5,001	—	8,508	—	78,571	0.4
United Airlines (GoJet)	7,705	—	36,917	0.2	46,297	0.2
United Airlines (Mesa)	183,080	0.8	157,475	0.7	91,642	0.4
United Airlines (Republic)	169,454	0.8	114,619	0.5	15,275	0.1
United Airlines (Shuttle America)	5,062	—	40,929	0.2	64,068	0.3
United Airlines (SkyWest)	53,126	0.2	73,679	0.4	69,752	0.3
United Airlines (TransStates)	1,361	—	1,129	—	21,159	0.1
United Airlines	275,721	1.3	209,604	1.0	136,885	0.7
United Parcel Service	189,156	0.9	179,533	0.8	175,421	0.8
Virgin Atlantic Airways	61,014	0.3	135,699	0.6	49,683	0.2
WOW air	—	—	—	—	—	—
Other ⁽²⁾	52,409	0.2	67,237	0.3	33,550	0.2
Total	21,601,812	100.0%	21,466,594	100.0%	20,625,652	100.0%

⁽¹⁾ US Airways merged with and into American Airlines on April 8, 2015, and for comparative purposes, all US Airways data has been combined with American Airlines in this report.

⁽²⁾ Includes airlines with minimal market share or that may not operate at the Airport as of Operating Stub Year 2019.

Source: Wayne County Airport Authority records
See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #13

Historical Aircraft Operations

Operating years ended September 30 and

Three-month period ended December 31, 2019

(Unaudited)

Operating Period	Operations by class of carrier				Total operations	
	Air carrier	Air taxi and commuter	General aviation	Military	Total	Percent increase (decrease)(a)
Three-month period ended Dec. 31, 2019	81,565	15,630	1,362	28	98,585	—%
Operating Year 2019	325,989	62,974	5,865	79	394,907	—
Operating Year 2018	312,540	75,991	6,194	82	394,807	0.3
Operating Year 2017	298,125	89,369	6,111	108	393,713	0.3
Operating Year 2016	286,336	99,811	6,104	132	392,383	3.2
Operating Year 2015	268,876	105,649	5,540	95	380,160	(4.9)

(a) Percent increase for the three-month period ended Dec. 31, 2019 has been calculated by annualizing activity and comparing annualized totals to the prior operating year.

Source: Wayne County Airport Authority records

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #14

Historical Aviation Demand Statistics

Operating years ended September 30 and

Three-month period ended December 31, 2019

(Unaudited)

	Three-month Period Ended Dec. 31, 2019	OY 2019	OY 2018	OY 2017	OY2016
Enplaned passengers:					
Domestic:					
Scheduled:					
Originating (a)	2,408,704	9,068,784	8,855,356	8,323,239	7,877,070
Connecting (a)	1,809,087	7,360,172	7,061,348	7,401,388	7,802,486
Subtotal – scheduled	4,217,791	16,428,956	15,916,704	15,724,627	15,679,556
Percentage connecting	42.9%	44.8%	44.4%	47.1%	49.8%
Charter	1,381	4,470	833	886	—
Subtotal – domestic	4,219,172	16,433,426	15,917,537	15,725,513	15,679,556
International:					
Scheduled:					
U.S. airlines	315,935	1,359,786	1,351,831	1,310,120	1,203,451
Foreign flag	73,101	322,199	289,250	244,072	236,289
Subtotal – scheduled	389,036	1,681,985	1,641,081	1,554,192	1,439,740
Charter	—	5,782	—	1,514	11,391
Subtotal – international	389,036	1,687,767	1,641,081	1,555,706	1,451,131
Total enplaned passengers	4,608,208	18,121,193	17,558,618	17,281,219	17,130,687
Enplaned cargo (tons):					
Freight	19,365	80,607	84,459	78,041	81,744
Mail	2,407	11,439	11,815	11,381	8,975
Total cargo	21,772	92,046	96,274	89,422	90,719
Aircraft departures (b):					
Domestic	45,123	177,232	177,541	178,209	178,050
International	3,177	13,900	13,184	12,448	11,988
Total aircraft departures	48,300	191,132	190,725	190,657	190,038
Aircraft operations:					
Air carrier	81,565	325,989	312,540	298,125	286,336
Air taxi and commuter	15,630	62,974	75,991	89,369	99,811
General aviation	1,362	5,865	6,194	6,111	6,104
Military	28	79	82	108	132
Total aircraft operations	98,585	394,907	394,807	393,713	392,383
Landed weight (1,000-pound units):					
Passenger:					
U.S. carriers:					
Major/national	3,761,532	14,862,183	14,555,307	14,402,492	14,252,825
Commuter/regional	1,523,927	6,113,517	5,980,312	5,872,633	5,830,936
Subtotal – U.S. carriers	5,285,459	20,975,701	20,535,619	20,275,125	20,083,761
Foreign flag	126,968	591,630	515,824	496,067	546,473
Subtotal – passenger	5,412,426	21,567,331	21,051,443	20,771,192	20,630,234
All cargo	245,342	878,607	903,343	830,620	836,360
Total landed weight	5,657,768	22,445,938	21,954,787	21,601,812	21,466,594

(a) Originating and connecting activity statistics for three-month period ended Dec. 31, 2019 are estimated based on calendar-year percentages.

(b) Departures for three-month period ended Dec. 31, 2019 are estimated based on both actual and scheduled data.

Sources: Wayne County Airport Authority records, U.S. Department of Transportation data, and the Diio MI Database.

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #15

Nonstop International Destinations Added and Dropped

Calendar years ending December 31

(Unaudited)

<u>Year</u>	<u>Cities added</u>	<u>Cities dropped</u>	<u>Net change</u>
2019	Tokyo-Haneda, Japan	Reykjavik, Iceland Sao Paulo-Guarulhos, Brazil	(1)
2018	León, Mexico Querétaro, Mexico Reykjavik, Iceland		3
2017	No Nonstop International Destinations Added or Dropped		—
2016	Munich, Germany		1

Notes: Data reflects new and discontinued nonstop international destinations served from DTW during the calendar year.

Source: Diio MI Database

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #16

Historical Operating Results

Operating years ended September 30 and

Three-month period ended December 31, 2019

(Unaudited)

	Three-month				
	Period Ended				
	Dec. 31, 2019	OY 2019	OY 2018	OY 2017	OY 2016
Operating revenues:					
Airport landing and related fees	\$ 20,213	79,731	76,739	79,494	78,045
Concession fees	16,790	69,305	68,951	64,702	61,820
Parking fees	21,834	83,657	80,248	76,707	74,498
Hotel (a)	8,816	32,735	31,368	29,929	33,890
Rental facilities/ground transportation	28,385	116,792	110,372	104,525	103,430
Utility service fees	1,165	4,739	4,970	4,903	4,691
Other	1,614	6,312	6,430	4,795	3,747
Total operating revenues	98,817	393,271	379,078	365,055	360,121
Operating expenses:					
Salaries, wages, and fringe benefits	30,992	91,435	94,558	108,986	84,453
Parking management	1,823	7,607	8,405	7,987	7,909
Hotel management (a)	5,534	20,703	19,775	18,049	22,357
Janitorial services	4,120	16,917	14,406	13,515	11,992
Security	1,553	6,000	6,031	5,149	3,745
Utilities	5,196	22,403	23,253	22,662	21,645
Repairs, professional services, and other	23,790	100,266	93,537	84,207	93,666
Depreciation	30,530	120,674	120,446	130,406	168,646
Total operating expenses	103,538	386,005	380,411	390,961	414,413
Operating gain (loss)	(4,721)	7,266	(1,333)	(25,906)	(54,292)
Nonoperating revenues (expenses):					
Passenger facility charges	16,415	72,761	69,774	68,128	66,764
Customer facility charges	5,726	22,131	4,549	4,442	4,260
Federal and state sources	1,784	8,497	6,650	6,650	5,551
Interest income and other	2,528	16,576	7,612	3,582	3,854
Interest expense and other	(20,716)	(88,023)	(84,868)	(80,963)	(80,865)
Amortization of bond insurance premiums	(11)	(42)	(101)	(175)	(175)
Amortization of bond issuance costs				0	0
Total nonoperating revenues (expenses)	5,726	31,900	3,616	1,664	(611)
Net gain (loss) before capital contributions and transfers	1,005	39,166	2,283	(24,242)	(54,903)
Capital contributions	1,125	33,136	389	7,278	32,694
Transfers out	(1,384)	(3,524)	(2,467)	(3,327)	(2,941)
Changes in net position	746	68,778	205	(20,291)	(25,150)
Net position – beginning of year	143,110	74,332¹	74,127	161,255²	186,405³
Net position – end of year	\$ 143,856	143,110	74,332	140,964	161,255

(a) Effective October 2015, the operations of the Airport Hotel have been included with the operations of Detroit Metro Airport (see Note 2 of 2016 financial statements for additional discussion).

¹ In 2018, Detroit Metro Airport restated beginning net position to \$74,127 (see Note 2 of 2018 financial statements for additional discussion). This amount less the 2018 decrease in net position is used to arrive at ending net position.

² In 2016, Detroit Metro Airport restated beginning net position to \$186,405 (see Note 2 of 2016 financial statements for additional discussion). This amount less the 2016 decrease in net position is used to arrive at ending net position.

³ In 2015, Detroit Metro Airport restated beginning net position to \$301,395 (see Note 2 of 2015 financial statements for additional discussion). This amount less the 2015 decrease in net position is used to arrive at ending net position.

Source: Audited Financial Statements of the Wayne County Airport Authority.

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #17

Top 20 Domestic Origin and Destination Markets

Calendar year ending December 31, 2018

(Unaudited)

Rank	Market	Total O&D Passengers	Percentage of		Market Share	Secondary Carrier	Market Share	Non- Stop Service
			O&D Passengers	Primary Carrier				
1	New York	1,198	6.8%	Delta	53.5%	American	16.6%	●
2	Orlando	1,084	6.1%	Delta	52.3%	Spirit	22.9%	●
3	South Florida	1,040	5.9%	Delta	51.6%	Spirit	29.5%	●
4	Washington D.C.	836	4.7%	Delta	52.6%	Southwest	20.7%	●
5	Los Angeles	810	4.6%	Delta	53.8%	Spirit	21.5%	●
6	Atlanta	772	4.4%	Delta	48.7%	Spirit	24.3%	●
7	Las Vegas	752	4.2%	Delta	45.0%	Spirit	39.9%	●
8	Dallas	630	3.6%	American	40.9%	Delta	25.8%	●
9	Denver	606	3.4%	Delta	34.6%	Southwest	20.8%	●
10	Tampa	580	3.3%	Delta	38.8%	American	24.5%	●
11	San Francisco	566	3.2%	Delta	44.8%	American	20.6%	●
12	Chicago	542	3.1%	Delta	58.1%	Spirit	31.7%	●
13	Phoenix	532	3.0%	Delta	59.3%	Spirit	11.4%	●
14	Fort Myers	514	2.9%	Delta	60.9%	JetBlue	26.8%	●
15	Boston	504	2.8%	Delta	55.1%	Spirit	36.5%	●
16	Houston	430	2.4%	Delta	42.5%	American	37.0%	●
17	Philadelphia	362	2.0%	Spirit	30.2%	Delta	28.5%	●
18	Minneapolis	328	1.9%	Delta	56.1%	Alaska	27.5%	●
19	Seattle	322	1.8%	Delta	66.7%	Southwest	30.8%	●
20	Nashville	308	1.7%	Delta	74.2%	Spirit	18.5%	●
Other O&D Markets		5,004	28.2%					
Domestic O&D Passengers		<u>17,719</u>						
O&D % of Domestic Passengers		55.4%						

Note: Figures may not add due to rounding

Source: Wayne County Airport Authority records; U.S. Department of Transportation, Origin & Destination Survey of Airline Passenger Traffic, Domestic via Diio MI Database

See accompanying independent auditor's report.

DETROIT METROPOLITAN WAYNE COUNTY AIRPORT

Continuing Disclosure Table #18

Top 20 International Origin and Destination Markets

Calendar year ended December 31, 2018

(Unaudited)

Rank	Market	Total O&D Passengers	Non- Stop Service
1	Cancun	99,742	●
2	London (Heathrow)	46,244	●
3	Frankfurt	39,808	●
4	Mexico City	34,801	●
5	Punta Cana	33,276	●
6	Shanghai	32,602	●
7	Beirut	31,663	●
8	Tokyo	29,765	●
9	Montego Bay	28,285	●
10	Monterrey	28,256	●
11	Paris	25,975	●
12	Seoul	19,774	●
13	Rome	19,518	●
14	Amsterdam	19,357	●
15	Vancouver	18,743	●
16	Beijing	18,278	●
17	Toronto	18,225	●
18	Montreal	17,991	●
19	San Jose del Cabo	17,074	●
20	Munich	15,949	●

Source: US DOT Origin & Destination Survey of Airline Passenger Traffic

See accompanying independent auditor's report.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Wayne County Airport
Authority Board
Wayne County Airport Authority

We have audited, 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, the financial statements of each major fund and the aggregate remaining funds of the Wayne County Airport Authority (the "Authority") as of and for the three-month period ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 27, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Wayne County Airport
Authority Board
Wayne County Airport Authority

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

April 27, 2020

Report on Compliance for the Major Federal Program and Passenger Facility Charge Program; Report on Internal Control Over Compliance as required by Uniform Guidance and the *Passenger Facility Charge Audit Guide for Public Agencies*

Independent Auditor's Report

To the Wayne County Airport Authority Board
Wayne County Airport Authority

Report on Compliance for Each Major Federal Program and for the Passenger Facility Charge Program

We have audited the Wayne County Airport Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Authority's major federal program for the three-month period ended December 31, 2019. In addition, we audited compliance with the applicable requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, for the three-month period ended December 31, 2019. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The Authority's passenger facility charge program is identified in the passenger facility charge revenues and expenditures schedule.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program and the passenger facility charge program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal program and the Authority's passenger facility charge program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); and the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the "Guide"). Those standards, the Uniform Guidance, and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program and the passenger facility charge program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program and Passenger Facility Charge Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program and its passenger facility charge program for the three-month period ended December 31, 2019.

To the Wayne County Airport Authority Board
Wayne County Airport Authority

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or the passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and the passenger facility charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or the passenger facility charge program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *Passenger Facility Charge Audit Guide for Public Agencies*. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

April 27, 2020

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Schedule of Expenditure of Federal Awards
Three-Month Period Ended December 31, 2019

<u>Federal Agency/Pass-through Entity/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract/Grant Number</u>	<u>Provided to Subrecipients</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
DETROIT METROPOLITAN AIRPORT					
U.S. Department of Transportation:					
Federal Aviation Administration - Direct Program -					
Airport Improvement Program (major program):					
Conduct Airport System Plan	20.106	3-26-0026-11115	\$ -	\$ 4,621,620	\$ 70,383
Reconstruct Runway 3L/21R	20.106	3-26-0026-11419	-	21,444,165	596,477
Reconstruct Taxiway M	20.106	3-26-0026-11519	-	<u>12,381,551</u>	<u>528,052</u>
Subtotal Airport Improvement Program				38,447,336	1,194,913
U.S. Department of Justice:					
Asset Forfeiture Equitable Sharing Program	16.922	MI-8293900	-	-	103,420
Total U.S. Department of Justice			-	-	103,420
Total Detroit Metropolitan Airport			<u>-</u>	<u>38,447,336</u>	<u>1,298,333</u>
WILLOW RUN AIRPORT					
U.S. Department of Transportation:					
Federal Aviation Administration - Direct Program -					
Airport Improvement Program (major program):					
Acquire Snow Removal Equipment Truck with Plow and Hopper Spreader	20.106	3-26-0024-04219	-	403,157	-
Subtotal Airport Improvement Program			-	403,157	-
Total Willow Run Airport			<u>-</u>	<u>403,157</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 38,850,493</u>	<u>\$ 1,298,333</u>

See Note to Schedule of Expenditures of Federal Awards.



(1) Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of the Wayne County Airport Authority (the Authority) under programs of the federal government for the three-month period ending December 31, 2019 and is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). The Authority's reporting entity is defined in the notes to the Authority's basic financial statements.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into between the Authority and agencies and departments of the federal government and all sub-awards to the Authority by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

Federal awards are reported in the Authority's Statement of Revenues, Expenses, and Changes in Net Position included with federal and state grants as well as capital contributions. The Schedule presents only a selected portion of the operations of the Authority. It is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

B. Basis of Accounting

The accompanying Schedule is presented on the accrual basis of accounting. Expenditures are recorded, accordingly, when incurred rather than when paid. Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The Authority has not elected to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

C. Subrecipients

The Authority did not pass through any federal awards to subrecipients.



WAYNE COUNTY AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2019

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes None Reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None Reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
20.106	Airport Improvement Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs: **\$750,000**

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III – Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
Current Year	None	



WAYNE COUNTY AIRPORT AUTHORITY

SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

December 31, 2019

Wayne County Airport Authority
Schedule of Passenger Facility Charge Revenues and Expenditures
Three-Month Period Ended December 31, 2019

	Amended Amount Approved	Cumulative Total September 30, 2019	Oct. 1, 2019 Dec. 31, 2019	Cumulative Total December 31, 2019
Passenger Facility Charges Collected	\$ 3,164,332,836	1,514,566,203	18,017,002	1,532,583,205
Interest Earned	N/A	73,701,848	18,810	73,720,658
Total Revenues	\$ 3,164,332,836	1,588,268,051	18,035,812	1,606,303,863
Passenger Facility Charges Expended for Approved Projects:				
APPLICATION NO. 1				
South Airport Access Road Construction	\$ 38,620,000	28,664,340	-	28,664,340
Storm Water Retention & Drainage Facilities Construction	4,980,000	4,169,572	-	4,169,572
Noise Berm Construction	225,000	224,927	-	224,927
Noise Mitigation Program	104,084,000	20,845,542	125,006	20,970,548
Willow Run Airport Layout Plan Update	5,000	5,000	-	5,000
APPLICATION NO. 2				
Land Acquisition and Preliminary Design for Fourth Parallel Runway	6,391,000	2,439,199	-	2,439,199
Perimeter Property Fencing and Removal of Airport Hazard - Willow Run	52,000	16,665	-	16,665
APPLICATION NO. 3				
Midfield Domestic and International Terminal Facilities Construction	1,370,450,360	901,243,517	9,161,396	910,404,913
Reconstruction of Existing Terminals and Concourses	673,408,000	306,229,587	6,701,948	312,931,535
Concourse C Expansion & Domestic Terminals Facilities Construction (Interim Improvement)	22,967,000	21,693,389	-	21,693,389
International Passenger Processing Facilities Expansion (Interim Improvement)	32,000,000	31,800,730	-	31,800,730
APPLICATION NO. 4				
Runway 21C/3C Keel Section Replacement	16,991,000	9,674,030	120,592	9,794,622
Runway 4R/22L Design and Construction	169,274,000	68,890,209	583,601	69,473,810
Rebuild Outfall Structures at Ponds 3 and 4	2,413,000	1,375,720	17,129	1,392,849
21C Remote Primary Deicing	23,958,000	14,420,364	157,150	14,577,514
Grade/Pave Taxiway "K" Islands	704,000	401,398	5,001	406,399
APPLICATION NO. 5				
North Terminal Apron	59,574,000	9,941,028	-	9,941,028
McNamara Terminal Phase II Program	277,941,000	120,536,531	1,977,764	122,514,295
Third Aircraft Rescue and Firefighting Facility	1,315,000	129,764	-	129,764
West Airfield Improvements	31,906,000	9,112,409	-	9,112,409
Interconnect Re-route	1,441,000	369,055	-	369,055
Taxiway Q Construction	4,153,000	1,552,756	-	1,552,756
Runway 4R/22L Shoulders/Overburden (fka 3L/21R)	2,090,000	735,822	-	735,822
Deicing Pad at Runway 22L	18,123,000	6,601,048	-	6,601,048
Deicing Pads at Runway 4R and 3L	39,941,000	9,628,871	-	9,628,871
Perimeter Fencing and Other Security Enhancements	710,000	-	-	-
Surface Movement Guidance Control System	1,310,000	-	-	-
Runway 3L/21R Planning	700,000	-	-	-
Runway 3R/21L Design and Pavement Evaluation	1,200,000	-	-	-
Part 150 Study Update	386,156	326,095	-	326,095
APPLICATION NO. 7				
Airfield Snow Removal Vehicles & Equipment	16,873,119	1,833,188	-	1,833,188
McNamara Terminal In-Line Explosive Detection	110,328,130	4,277,033	-	4,277,033
Infill Island at Taxiway Y-10	811,236	85,294	-	85,294
Master Plan Update	946,500	87,823	-	87,823
Runway Surface Monitor System for RW 4L/22R	1,000,000	-	-	-
Runway and Taxiway Improvements	97,694,583	3,053,440	-	3,053,440
Reconstruct Runway 4R/22L (Impose Only)	29,366,752	-	-	-
Total Amount Approved	\$ 3,164,332,836			
Total Expenditures		\$ 1,580,364,346	\$ 18,849,587	\$ 1,599,213,933
Unexpended Passenger Facility Charges		\$ 7,903,705		\$ 7,089,930

See accompanying independent auditors' report and the notes to schedule of passenger facility charge revenues and expenditures.

Note: See Note 4 in "Notes to Schedule of Passenger Facility Charge Revenue and Expenditures" for explanation of presentation of a three-month reporting period



(1) General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. PFCs may be used for airport projects which meet at least one of the following criteria: (1) preserve or enhance safety, security, or capacity of the national air transportation system; (2) reduce noise or mitigate noise impacts resulting from an airport; or (3) furnish opportunities for enhanced competition between or among carriers.

Since 1992, the Federal Aviation Administration (FAA) has approved six PFC applications and amendments submitted by the Authority. The most recent application was approved during fiscal year 2008 and resulted in an additional \$.3 billion of collection authority from the FAA. The Authority is currently authorized to collect PFCs in the amount of \$4.50 per enplaned passenger up to a total for approved collections of \$3.2 billion. Project expenditures may include amounts for the payment of principal, interest, and other financing costs on bonds for which the proceeds are used to pay PFC-eligible costs on approved projects.

As of December 31, 2019, the Authority had received approximately \$1.53 billion of PFC revenue and interest earnings of approximately \$73.7 million. The Authority had expended approximately \$1.60 billion on approved projects.

(2) Basis of Accounting

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (the Schedule) has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

PFC charges collected, expended, and interest earned represent amounts reported to the FAA on the Passenger Facility Charge Quarterly Status Reports and total \$18.0 million, \$18.9 million, and \$19 thousand, respectively, for the three-month period ending December 31, 2019. The Authority also maintained a receivable of approximately \$9.1 million for PFCs collected by the airlines but not remitted to the Authority as of December 31, 2019.

(3) Interest Earned

Interest income is allocated to the PFC program (the Program) based on a ratio of the Program's cash and investments to the total Authority cash and investments included in the pooled cash funds.

(4) Change in Period

During its meeting on August 21, 2019, the Wayne County Airport Authority Board approved a resolution which amends the Authority's fiscal year to begin January 1 and end December 31 annually. For transitional purposes, the resolution also established a single three-month reporting period beginning October 1, 2019 and ending December 31, 2019. At the end of the three-month reporting period the Authority entered into its new full operating period, beginning January 1, 2020 and ending on December 31, 2020.



DETROIT METRO • WILLOW RUN
WAYNE COUNTY AIRPORT AUTHORITY

