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Downriver Community Conference

Financial Report
with Supplemental Information
September 30, 20**20**



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Downriver Community Conference

**Financial Report
with Supplemental Information
September 30, 2020**

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Independent Auditor's Report

To the Board of Directors
Downriver Community Conference

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference (DCC) as of and for the year ended September 30, 2020 and the related notes to the financial statements, which collectively comprise Downriver Community Conference'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 the governmental activities, each major fund, and the aggregate remaining fund information of Downriver Community Conference as of September 30, 2020 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Downriver Community Conference

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedule, 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 opinions on the financial statements that collectively comprise Downriver Community Conference's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of Downriver Community Conference'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 Downriver Community Conference's internal control over financial reporting and compliance.

Plante & Moreau, PLLC

March 25, 2021

As management of Downriver Community Conference (DCC), we offer readers this narrative overview and analysis of the financial activities for the year ended September 30, 2020.

Financial Highlights

- DCC obtained funding for the Summer Youth Program in which the Detroit Wayne Integrated Health Network (DWIHN) contracted with DCC to provide a summer employment program for youth ages 14-24 who reside in Out Wayne County who are at risk. The program served 117 youth with subsidized employment (both nonprofit and for-profit worksites) during 2020. In addition to the work experience and case management components, the youth received a variety of mental health training sessions provided by DWIHN. The program operated from May through September.
- DWIHN also contracted with DCC to provide mental health first aid and question, persuade, refer - QPR (suicide prevention) classes to residents and workers in Out Wayne County, with an emphasis on first responders. DWIHN specified the curriculum, and DCC provided outreach, instruction (through DWIHN-approved instructions), scheduling and logistical support, and record keeping and reporting for the program, which operated from April through September.
- DCC successfully continues its Employment Services Department in the City of Detroit, Michigan. Awarded by Detroit Employment Solutions Corp. (DESC), DCC serves Detroit residents with Wagner-Peyser Employment Services and Trade Adjustment Assistance (TAA). Funding was also received for Dislocated Worker Services/ Basic Career Services (DLW) and services delivered for Trade Case Management (TCM) and Reemployment Services and Eligibility Assessment (RESEA).
- In January 2020, DESC also partnered with DCC to provide workforce development activities on the East Side of Detroit providing WIOA Services at one location of the Career Centers delivering WIOA Adult and Dislocated Worker Services and funded as such.
- DCC also continues its long, successful relationship with SEMCA in the delivery of workforce development programs. The following programs were provided: Wagner-Peyser Employment Services; Trade Adjustment Assistance; Trade Case Management; Reemployment Services Eligibility Assessment; Workforce Innovation and Opportunity Act (WIOA) Adult, Dislocated Worker and Youth; and Partnership Accountability Training Hope (PATH). Initiatives under the SEMCA umbrella for the year included Jobs for Michigan Graduates (JMG) for youth and Job Search Assistance (JSA) for welfare recipients referred to the PATH program. JMG is designed to recover dropouts and to provide an array of counseling, employability and technical skills development, job development, and job placement services that result in a quality job leading to a career after graduation and/or enrollment in postsecondary education/training. The goal of the JSA evaluation is to determine the types of job search assistance strategies that are most effective in helping welfare recipients find employment and increase their earnings. No funds were attached to these programs. DCC was awarded a contract by SEMCA for the Community Ventures Program. DCC procures and processes supportive services as it relates to SEMCA's Business Resource Network (BRN).
- During the COVID-19 pandemic, both DESC and SEMCA engaged a team of our workforce development staff to help the Unemployment Insurance Assistance (UIA). These staff received specialized training to assist in several areas related to unemployment insurance (UI). Our staff helped over 150,000 individuals with UI claims/resources. The UIA/Michigan Works (MW) partnership was created in April 2020 to help the thousands of Michiganders out of work.
- The Economic Development Department received funding from Michigan Economic Development Corporation (MEDC) project to provide business startup consulting services to service-disabled veterans. In addition, the department's Brownfield Revolving Loan Fund (RLF) cleanup grant is used for major projects in the downriver region. DCC received a grant from the U.S. Department of Commerce with matching funds from two of our member communities (through DTE Energy) for the purpose of developing a regional strategy/study/plan for the replacement of coal power. This is a one-time project completed on January 31, 2020.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

- DCC continues its partnership with Wayne Metro Community Action Agency (WMCAA) providing home weatherization service under WMCAA's contract with the State for DOE and Low Income Home Energy Assistance Program (LIHEAP) funds.
- The Transportation Department continues to operate SMART programs, such as 5310 (formerly New Freedom), and specialized services. These services are for seniors and/or individuals with a disability and focus on nonemergency medical appointments. In addition, through our fee for service program, we assist veterans in need of transportation. A special project was set up with the Wayne County Community College District to provide rides to students (Downriver Campus to Western Campus). Workforce programs can provide eligible customers with transportation services for their job search, training, and employment needs. In addition, we provide a driver to the City of Lincoln Park to provide Lincoln Park's Seniors with needed transportation services. During the COVID-19 pandemic, the Transportation Department limited its services. We have equipped our vehicle with barriers, PPE, and sanitizing supplies in preparation of the full return of services.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of DCC as a whole and present a longer-term view of DCC's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the member communities and granting agencies have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell the reader how the members' assessment and grant moneys were spent during the year and as how much is available for future spending. Fund financial statements also report DCC's operations in more detail than the government-wide financial statements.

DCC's Net Position

The following table shows, in condensed format, the net position as of September 30, 2020 and 2019:

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 8,336,831	\$ 7,784,878
Capital assets being depreciated	675,881	724,839
Total assets	9,012,712	8,509,717
Liabilities	2,163,208	1,551,871
Net Position		
Net investment in capital assets	675,881	724,839
Restricted	6,113,081	5,987,074
Unrestricted	60,542	245,933
Total net position	\$ 6,849,504	\$ 6,957,846

DCC's combined net position for governmental activities totaled \$6,849,504 for fiscal year 2020. Net position is further segregated between restricted and unrestricted net position. The restricted net position, restricted for a specific purpose/use and invested in capital assets, totals \$6,788,962. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, totals \$60,542.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

DCC's Changes in Net Position

	Governmental Activities	
	2020	2019
Revenue		
Program revenue:		
Charges for services	\$ 307,870	\$ 302,123
Operating grants and contributions	8,621,409	9,139,042
General revenue	112,728	68,061
Total revenue	9,042,007	9,509,226
Expenses		
General	399,979	226,201
Workforce development	6,523,802	5,801,543
Economic development	920,667	1,391,584
Weatherization	515,923	699,740
Transportation	90,262	155,098
Mental health first aid	94,151	187,053
Summer youth program	474,095	485,314
Building and grounds	131,470	242,416
Total program expenses	9,150,349	9,188,949
Change in Net Position	\$ (108,342)	\$ 320,277

Governmental Activities

Governmental activities are those activities (such as workforce development or economic development programs) provided to the constituents of the downriver area. The programs are supported by federal, state, and local grants, along with membership assessments paid by the local downriver communities.

The cost of providing services for governmental activities was \$9.2 million for the fiscal year ended September 30, 2020.

Downriver Community Conference Funds

Our analysis of DCC's major funds begins on page 9, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not DCC as a whole. The DCC board creates funds to help manage money for specific purposes and to show accountability for certain activities. DCC's major funds for 2020 included the General Fund, Workforce Development Fund, Economic Development Fund, and Summer Youth Program Fund.

The General Fund pays for most of DCC's governmental services. The most significant are payroll and contracted services, which incurred expenses of approximately \$276,000 in 2020 and \$133,000 in 2019.

General Fund Budgetary Highlights

Over the course of the year, DCC amended the budget to take into account events during the year. DCC departments overall were under budget, resulting in total expenditures in the General Fund to be approximately \$8,600 under budget, while total revenue in the General Fund was approximately \$100 over budget. The General Fund's fund balance decreased from approximately \$181,000 a year ago to approximately \$68,000 at September 30, 2020.

Downriver Community Conference

Management's Discussion and Analysis (Continued)

Capital Assets

At the end of 2020, DCC had approximately \$676,000 invested in a broad range of capital assets, including buildings, furniture, and equipment. These assets are necessary to carry out the day-to-day operations of DCC. See Note 4 for details.

Contacting Downriver Community Conference's Management

This financial report is intended to provide our citizens, customers, and member communities with a general overview of DCC's finances and demonstrate DCC's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the fiscal office.

Downriver Community Conference

Statement of Net Position

September 30, 2020

	Primary Government Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 1,837,916
Due from other governmental units	4,922,094
Due from others	1,563,799
Prepaid expenses and other assets	13,022
Capital assets being depreciated - Net (Note 4)	675,881
Total assets	9,012,712
Liabilities	
Accounts payable	547,522
Security deposits	2,622
Accrued liabilities and other	361,118
Short-term line of credit (Note 10)	350,000
Unearned revenue	145,946
Due to Downriver Mutual Aid (Note 8)	756,000
Total liabilities	2,163,208
Net Position	
Net investment in capital assets	675,881
Restricted for grant expenditures	6,113,081
Unrestricted	60,542
Total net position	\$ 6,849,504

Downriver Community Conference

Statement of Activities

Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenue		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Primary Governmental Activities
Primary government -				
Governmental activities:				
General	\$ 399,979	\$ 206,541	\$ 74,900	\$ (118,538)
Workforce Development	6,523,802	315	6,545,287	21,800
Economic Development	920,667	-	847,527	(73,140)
Weatherization	515,923	-	512,894	(3,029)
Transportation	90,262	5,000	72,006	(13,256)
Mental health first aid	94,151	-	94,702	551
Summer youth program	474,095	-	474,093	(2)
Building and equipment	131,470	96,014	-	(35,456)
Total primary government	\$ 9,150,349	\$ 307,870	\$ 8,621,409	(221,070)
General revenue:				
Investment income				953
Other miscellaneous income				111,775
Total general revenue				112,728
Change in Net Position				(108,342)
Net Position - Beginning of year				6,957,846
Net Position - End of year				\$ 6,849,504

Downriver Community Conference

Governmental Funds Balance Sheet

September 30, 2020

	General Fund	Workforce Development Fund	Economic Development Fund	Summer Youth Program	Nonmajor Funds	Total
Assets						
Cash and investments (Note 3)	\$ 207,126	\$ -	\$ 1,510,991	\$ -	\$ 1,500	\$ 1,719,617
Due from other governmental units	12,788	1,008,295	3,222,663	473,256	205,092	4,922,094
Due from others	-	-	1,563,799	-	-	1,563,799
Due from other funds (Note 6)	14,001	-	-	-	-	14,001
Prepaid expenses and other assets	1,712	11,274	-	-	-	12,986
Total assets	\$ 235,627	\$ 1,019,569	\$ 6,297,453	\$ 473,256	\$ 206,592	\$ 8,232,497
Liabilities						
Accounts payable	\$ 26,522	\$ 141,672	\$ 288,915	\$ 60,077	\$ 17,034	\$ 534,220
Due to other funds (Note 6)	-	4,400	-	9,512	89	14,001
Accrued liabilities and other	125,559	137,383	211	64,667	25,385	353,205
Short-term line of credit (Note 10)	-	350,000	-	-	-	350,000
Unearned revenue	3,034	79,432	-	-	63,480	145,946
Due to Downriver Mutual Aid (Note 8)	-	287,000	36,000	339,000	94,000	756,000
Deferred Inflows of Resources - Unavailable revenue (Note 5)	12,788	108,345	4,744,236	-	29,648	4,895,017
Total liabilities and deferred inflows of resources	167,903	1,108,232	5,069,362	473,256	229,636	7,048,389
Fund Balances (Deficit)						
Nonspendable - Prepaid expenses	1,712	11,274	-	-	-	12,986
Restricted - Grants	-	-	1,228,091	-	2,761	1,230,852
Assigned - Subsequent year's budget	20,912	-	-	-	-	20,912
Unassigned (deficit)	45,100	(99,937)	-	-	(25,805)	(80,642)
Total fund balances (deficit)	67,724	(88,663)	1,228,091	-	(23,044)	1,184,108
Total liabilities, deferred inflows of resources, and fund balances (deficit)	\$ 235,627	\$ 1,019,569	\$ 6,297,453	\$ 473,256	\$ 206,592	\$ 8,232,497

Downriver Community Conference

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

September 30, 2020

Fund Balances Reported in Governmental Funds	\$ 1,184,108
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	363,682
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	4,895,017
Internal service funds are included as part of governmental activities	<u>406,697</u>
Net Position of Governmental Activities	<u><u>\$ 6,849,504</u></u>

Downriver Community Conference

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)

Year Ended September 30, 2020

	General Fund	Workforce Development Fund	Economic Development Fund	Summer Youth Program	Nonmajor Funds	Total
Revenue						
Intergovernmental:						
Federal grants	\$ -	\$ 6,188,160	\$ 1,027,363	\$ -	\$ 530,813	\$ 7,746,336
State and local grants	55,400	310,039	40,263	474,095	139,263	1,019,060
Charges for services	-	315	-	-	-	315
Contributions	9,507	-	-	-	5,000	14,507
Membership assessments	196,749	-	-	-	-	196,749
Other	19,617	6,120	107,700	-	-	133,437
Total revenue	281,273	6,504,634	1,175,326	474,095	675,076	9,110,404
Expenditures						
Current services:						
Wages	165,895	3,848,709	50,286	295,983	203,572	4,564,445
Fringe benefits	58,613	1,256,718	12,633	29,955	85,391	1,443,310
Contracted services	51,780	630,282	838,145	78,761	298,622	1,897,590
Building rent and maintenance	27,107	438,774	3,461	2,950	31,037	503,329
Professional fees	34,584	64,195	6,954	-	2,315	108,048
Other	57,263	292,160	5,976	66,446	72,341	494,186
Total expenditures	395,242	6,530,838	917,455	474,095	693,278	9,010,908
Net Change in Fund Balances	(113,969)	(26,204)	257,871	-	(18,202)	99,496
Fund Balances (Deficit) - Beginning of year	181,693	(62,459)	970,220	-	(4,842)	1,084,612
Fund Balances (Deficit) - End of year	\$ 67,724	\$ (88,663)	\$ 1,228,091	\$ -	\$ (23,044)	\$ 1,184,108

Downriver Community Conference

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities

Year Ended September 30, 2020

Net Change in Fund Balances Reported in Governmental Funds	\$ 99,496
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	62,006
Depreciation expense	(71,559)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(163,202)
Internal service funds are included as part of governmental activities	<u>(35,083)</u>
Change in Net Position of Governmental Activities	<u>\$ (108,342)</u>

Downriver Community Conference

Proprietary Funds Statement of Net Position

September 30, 2020

	Building and Equipment
Assets	
Current assets:	
Cash and investments (Note 3)	\$ 118,299
Prepaid expenses and other assets	36
Total current assets	118,335
Noncurrent assets - Capital assets being depreciated - Net (Note 4)	312,199
Total assets	430,534
Liabilities	
Current liabilities:	
Accounts payable	13,302
Security deposits	2,622
Accrued liabilities and other	7,913
Total liabilities	23,837
Net Position	
Net investment in capital assets	312,199
Unrestricted	94,498
Total net position	<u><u>\$ 406,697</u></u>

Downriver Community Conference

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2020

	Building and Equipment
Operating Revenue - Rent	\$ 498,578
Operating Expenses	
Wages	205,455
Fringe benefits	76,200
Professional fees	40,810
Maintenance and repairs	58,658
Other	112,329
Depreciation	40,582
Total operating expenses	534,034
Operating Loss	(35,456)
Nonoperating Revenue	
Investment income	953
Loss on sale of assets	(580)
Total nonoperating revenue	373
Change in Net Position	(35,083)
Net Position - Beginning of year	441,780
Net Position - End of year	<u><u>\$ 406,697</u></u>

Downriver Community Conference

Proprietary Funds Statement of Cash Flows

Year Ended September 30, 2020

	Building and Equipment
Cash Flows from Operating Activities	
Receipts from customers	\$ 498,578
Payments to suppliers	(210,089)
Payments to employees and fringes	(280,806)
Other receipts	9,496
Net cash and cash equivalents provided by operating activities	17,179
Cash Flows Used in Financing Activities - Purchase of capital assets	(1,757)
Cash Flows Provided by Investing Activities - Interest income received	953
Net Increase in Cash and Cash Equivalents	16,375
Cash and Cash Equivalents - Beginning of year	101,924
Cash and Cash Equivalents - End of year	\$ 118,299
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (35,456)
Adjustments to reconcile operating loss to net cash from operating activities:	
Depreciation	40,582
Changes in assets and liabilities:	
Due from other governmental units	9,496
Prepaid and other assets	(36)
Accrued and other liabilities	849
Due to others	1,744
Net cash and cash equivalents provided by operating activities	\$ 17,179

September 30, 2020

Note 1 - Significant Accounting Policies

Reporting Entity

Downriver Community Conference (DCC) is organized as an interlocal public agency formed under Public Act 7 of 1967 and is composed of 20 communities located in the southern Wayne County area of metropolitan Detroit, Michigan. DCC is funded mainly by assessments charged to member communities and grants through various state and federal agencies. Revenue is used to fund benefits and programs for the member communities and for additional areas assigned by grantors. DCC's financial statements are prepared using governmental accounting principles since its ownership consists solely of local units of government. The accounting policies of DCC conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

DCC has excluded Downriver Mutual Aid from this report since DCC does not exercise substantial oversight responsibility. Downriver Mutual Aid's financial statements will be issued under separate cover.

Accounting and Reporting Principles

DCC follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by DCC:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds, if any, are reported as separate columns in the fund financial statements.

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how DCC has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as sick and vacation pay) are not counted until they come due for payment. In addition, claims and judgments are recorded only when payment is due.

September 30, 2020

Note 1 - Significant Accounting Policies (Continued)

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, DCC considers amounts collected within 60 days of year end to be available for recognition. Certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

DCC accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow DCC to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund and special revenue funds. DCC reports the following funds as major governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Workforce Development special revenue fund accounts for the revenue and expenditures of federal and state employment and training grant programs. These programs include the PATH program, Workforce Innovation and Opportunity Act programs, Employment Service programs, and other smaller miscellaneous training grants.
- The Economic Development special revenue fund accounts for the revenue and expenditures of federal and state economic development grant programs. These programs include specific economic development programs associated with local downriver companies. In addition, the Economic Development Fund accounts for the activities of the Downriver Area Brownfield Consortium.
- The Summer Youth special revenue fund accounts for the revenue and expenditures of state funds to develop summer youth opportunities for individuals between ages 14-24 providing gainful, part-time employment during times when they are not in school fulfilling the network's goal of forming useful connections in the community.

Internal Service Fund - Building and Equipment Fund

The Building and Equipment internal service fund accounts for building and equipment purchases and maintenance that get charged to both DCC grant programs, as well as outside tenants.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to rental revenue and maintenance fees. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

September 30, 2020

Note 1 - Significant Accounting Policies (Continued)**Interfund Activity**

During the course of operations, DCC has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Specific Balances and Transactions**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Receivables and Payables

In general, outstanding balances between funds are reported as due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as advances to/from other funds.

Capital Assets

Capital assets, which include buildings, improvements, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by DCC as assets with an initial individual cost of more than \$5,000 for the Building and Equipment Fund, \$500 for the governmental funds, and \$200 for items purchased with grant funds from the Southeast Michigan Community Alliance with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Buildings and building improvements	5-20
Furniture and equipment	3-12

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet 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 will not be recognized as an outflow of resources (expense/expenditure) until then. DCC did not report any items that qualify for reporting in this category.

September 30, 2020**Note 1 - Significant Accounting Policies (Continued)**

In addition to liabilities, the statement of net position and/or balance sheet 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 will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue qualifies for reporting in this category and is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is DCC's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

DCC will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is DCC's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Equity

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the board for use for specific purposes. Commitments are made and can be rescinded only via resolution of the board of directors.
- **Assigned:** Intent to spend resources on specific purposes expressed by the board of directors
- **Unassigned:** Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

September 30, 2020**Note 1 - Significant Accounting Policies (Continued)****Federal Income Taxes**

DCC is a tax-exempt organization under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for federal income tax has been made in the accompanying financial statements.

Concentration of Risk

DCC has several government contracts that represent 96 percent of total revenue for the year ended September 30, 2020 and 37 percent of the accounts receivable balance at September 30, 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board (GASB) issued 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. DCC is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for DCC's financial statements for the year ended September 30, 2020 but were extended to September 30, 2021 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

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. DCC is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for DCC's financial statements for the year ended September 30, 2020 but were extended to September 30, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. DCC is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for DCC's financial statements for the year ending September 30, 2023.

Note 2 - Stewardship, Compliance, and Accountability**Excess of Expenditures Over Appropriations in Budgeted Funds**

DCC had significant expenditure budget variances in the other category in the General Fund.

September 30, 2020

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Fund Deficits and Management's Plan

DCC has accumulated fund deficits in the Workforce Development Fund, Transportation Fund, and Mental Health First Aid Fund of \$88,663, \$25,142, and \$663, respectively. The deficits in the Workforce Development Fund, Transportation Fund, and Mental Health First Aid Fund were a result of grant revenue not recorded as revenue in the current year due to GASB Statement No. 33, as discussed in Note 5.

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units 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 law also allows investments outside the state of Michigan when fully insured. The local unit 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 no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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.

DCC has designated banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. DCC's deposits and investments are in accordance with statutory authority.

DCC's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, DCC's deposits may not be returned to it. DCC does not have a deposit policy for custodial credit risk. The bank deposits of both DCC and related party Downriver Mutual Aid (described in Note 8) are held in DCC's name. Therefore, custodial credit risk can only be calculated on an overall basis for both entities. Overall, DCC and Downriver Mutual Aid had \$3,938,231 of bank deposits (checking and savings accounts) that was uninsured and uncollateralized at September 30, 2020. The cash balances recorded on the financial statements for DCC and Downriver Mutual Aid at September 30, 2020 totaled \$1,837,916 and \$3,711,873, respectively. DCC 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, DCC 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.

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. DCC's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity. At September 30, 2020, DCC does not have investments with custodial credit risk.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. DCC has no investment policy that would further limit its investment choices. At September 30, 2020, DCC does not have investments with custodial credit risk.

September 30, 2020

Note 4 - Capital Assets

Capital asset activity of DCC's governmental activities was as follows:

Governmental Activities

	Balance September 30, 2019	Additions	Disposals and Adjustments	Balance September 30, 2020
Capital assets being depreciated:				
Buildings and improvements	\$ 2,756,166	\$ 1,757	\$ (4,640)	\$ 2,753,283
Furniture and equipment	944,384	62,006	-	1,006,390
Subtotal	3,700,550	63,763	(4,640)	3,759,673
Accumulated depreciation:				
Buildings and improvements	2,404,562	40,582	(4,060)	2,441,084
Furniture and equipment	571,149	71,559	-	642,708
Subtotal	2,975,711	112,141	(4,060)	3,083,792
Net capital assets	<u>\$ 724,839</u>	<u>\$ (48,378)</u>	<u>\$ (580)</u>	<u>\$ 675,881</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 18,818
Workforce development	47,947
Transportation	4,525
Economic development	166
Weatherization	103
Internal service fund depreciation is charged to the various functions based on their usage of the asset	40,582
Total governmental activities	<u>\$ 112,141</u>

Note 5 - Deferred Inflows/Unearned Revenue

	Deferred Inflow	Unearned Revenue
General Fund	\$ 12,788	\$ 3,034
Workforce Development Fund	108,345	79,432
Economic Development Fund	4,744,236	-
Nonmajor funds	29,648	63,480
Total	<u>\$ 4,895,017</u>	<u>\$ 145,946</u>

Deferred Inflow - Revenue not Available to Finance Current Expenditures

GASB Statement No. 33 requires all governmental fund revenue to be recognized only when available to finance expenditures of the current period (received within 60 days of year end). The balances above represent state and federal grant reimbursements or brownfield redevelopment loan repayments that were not received within 60 days of year end. Receipt of these reimbursements will alleviate a significant portion of the fund deficits.

September 30, 2020

Note 5 - Deferred Inflows/Unearned Revenue (Continued)***Unearned Revenue***

DCC receives funds from federal and state governments under various acts to enable DCC to conduct special programs. Funds received and unexpended for which eligibility criteria under GASB Statement 33 have not been met as of September 30, 2020 are accounted for as unearned revenue. When expenditures are incurred, revenue is recognized and unearned revenue is reduced. Upon conclusion of the program, unexpended grant funds related to advances are refunded.

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Workforce Development Fund	\$ 4,400
	Summer Youth Program Fund	9,512
	Nonmajor funds	89
	Total	<u>\$ 14,001</u>

These balances result from the Workforce Development Fund and Mental Health First Aid Fund having a lag in reimbursement funds and disbursements that required additional funds provided by the General Fund.

Note 7 - Risk Management

DCC is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. DCC has purchased commercial insurance for those claims. DCC is also exposed to various risks of loss related to medical benefits provided to employees. DCC is fully insured for these claims.

DCC is highly dependent on federal and state grants. Any significant loss of grant funding could negatively impact DCC's ongoing operations.

Note 8 - Related Party Transactions

DCC performs administrative and accounting services for Downriver Mutual Aid (DMAid), a separate legal entity. The majority of the municipalities that are members of DCC are also members of Downriver Mutual Aid. During the year ended September 30, 2020, there were transactions related to the central cost allocation plan and expenditure reimbursements between DCC and Downriver Mutual Aid totaling \$20,719.

During the year ended September 30, 2020, DCC had cash shortfalls of \$756,000 in the Workforce Development Fund, Summer Youth Program Fund, Economic Development Fund, Transportation Fund, Weatherization Fund, and Mental Health Aid First Fund that were covered by the 911 Fund in DMAid, which are reflected as due to Downriver Mutual Aid on the financial statements.

DCC has distributed funding to various member communities in the form of brownfield loans. As of September 30, 2020, the total loan receivable was approximately \$1.6 million. This receivable is recorded as a receivable on the statement of net position and is offset by a deferred inflow of resources on the balance sheet. It is offset by a deferred inflow of resources to the extent that it is not collected within 60 days after year end on the governmental funds balance sheet.

September 30, 2020**Note 9 - Employee Benefits**

Per board resolution, all DCC employees are eligible to establish a tax-sheltered annuity account that is funded by payroll withholdings. In addition, DCC matches employees' contributions up to 4 percent through payments to an insurance carrier. Contributions are fully vested. For the fiscal year ended September 30, 2020, employees' contributions and the employer's contributions were approximately \$194,000 and \$103,000, respectively.

Note 10 - Line of Credit

DCC has a line of credit in the amount of \$350,000. At September 30, 2020, DCC has drawn down \$350,000 on the line of credit. Activity on the line of credit was as follows:

Balance at September 30, 2019	\$ 320,000
Repayments	(320,000)
Draws	<u>350,000</u>
Balance at September 30, 2020	<u><u>\$ 350,000</u></u>

Required Supplemental Information

Downriver Community Conference

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue (Inflows)				
Intergovernmental	\$ 55,400	\$ 55,400	\$ 55,400	\$ -
Contributions	-	9,507	9,507	-
Membership assessments	219,608	196,749	196,749	-
Other	29,500	19,500	19,617	117
Total revenue (inflows)	304,508	281,156	281,273	117
Expenditures				
Current services:				
General government:				
Wages	216,492	186,835	165,895	20,940
Fringe benefits	84,570	63,025	58,613	4,412
Building rent and maintenance	27,121	30,612	27,107	3,505
Other	103,817	121,678	143,627	(21,949)
Capital outlay/equipment	-	1,685	-	1,685
Total expenditures	432,000	403,835	395,242	8,593
Net Change in Fund Balance	(127,492)	(122,679)	(113,969)	8,710
Fund Balance - Beginning of year	181,693	181,693	181,693	-
Fund Balance - End of year	<u>\$ 54,201</u>	<u>\$ 59,014</u>	<u>\$ 67,724</u>	<u>\$ 8,710</u>

Downriver Community Conference

Notes to Required Supplemental Information

September 30, 2020

Budgetary Information

The annual budget is prepared by DCC's management and adopted by the board of directors at a functional level. Subsequent amendments are approved by the board of directors.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2020 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, other than transfers in/out, which are budgeted as revenue/expenditures rather than other financing sources (uses) and internal reimbursements, which are budgeted as revenue/expenditures rather than netted together.

The Workforce Development, Summer Youth Program, and Economic Development funds have been budgeted; however, those budgets are prepared on a program-year basis that differs from DCC's year end. Due to the fact that the budgets adopted and the financial information presented are not for the same period, their financial activity has been omitted from the required supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds

The General Fund had expenditures greater than budgeted in the categories of other due to the Youth Assistance Program Fund expenditures that were higher than anticipated, but within the contract, and assessment expenses for professional services that were higher than anticipated.

During the year, Downriver Community Conference incurred significant expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual	Variance
Other	\$ 121,678	\$ 143,627	\$ (21,949)

Other Supplemental Information

Downriver Community Conference

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds

September 30, 2020

	Special Revenue Funds			
	Transportation	Mental Health First Aid	Weatherization	Total
Assets				
Cash and investments	\$ 1,406	\$ -	\$ 94	\$ 1,500
Due from other governmental units	39,478	63,937	101,677	205,092
Total assets	<u>\$ 40,884</u>	<u>\$ 63,937</u>	<u>\$ 101,771</u>	<u>\$ 206,592</u>
Liabilities				
Accounts payable	\$ 403	\$ 2,392	\$ 14,239	\$ 17,034
Due to other funds	-	89	-	89
Accrued liabilities and other	887	22,207	2,291	25,385
Unearned revenue	-	-	63,480	63,480
Due to Downriver Mutual Aid	38,000	37,000	19,000	94,000
Total liabilities	39,290	61,688	99,010	199,988
Deferred Inflows of Resources - Unavailable revenue	26,736	2,912	-	29,648
Total liabilities and deferred inflows of resources	66,026	64,600	99,010	229,636
Fund Balances (Deficit)				
Restricted - Grants	-	-	2,761	2,761
Unassigned (deficit)	(25,142)	(663)	-	(25,805)
Total fund balances (deficit)	(25,142)	(663)	2,761	(23,044)
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 40,884</u>	<u>\$ 63,937</u>	<u>\$ 101,771</u>	<u>\$ 206,592</u>

Downriver Community Conference

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Nonmajor Governmental Funds

Year Ended September 30, 2020

	Special Revenue Funds			
	Transportation	Mental Health First Aid	Weatherization	Total
Revenue				
Intergovernmental:				
Federal grants	\$ 17,943	\$ -	\$ 512,870	\$ 530,813
State and local grants	39,625	94,738	4,900	139,263
Contributions	5,000	-	-	5,000
Total revenue	62,568	94,738	517,770	675,076
Expenditures				
Current services:				
General government:				
Wages	45,280	29,330	128,962	203,572
Fringe benefits	16,568	4,827	63,996	85,391
Contracted services	-	29,000	269,622	298,622
Building rent and maintenance	13,845	1,475	15,717	31,037
Professional fees	760	-	1,555	2,315
Other	8,250	30,069	34,022	72,341
Total expenditures	84,703	94,701	513,874	693,278
Net Change in Fund Balances	(22,135)	37	3,896	(18,202)
Fund Balances (Deficit) - Beginning of year	(3,007)	(700)	(1,135)	(4,842)
Fund Balances (Deficit) - End of year	<u><u>\$ (25,142)</u></u>	<u><u>\$ (663)</u></u>	<u><u>\$ 2,761</u></u>	<u><u>\$ (23,044)</u></u>