



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GLORIA J. JEFF
DIRECTOR

February 12, 2004

The Honorable Shirley Johnson, Chair
Senate Appropriations Subcommittee
on Transportation
Michigan State Senate
P.O. Box 30036
Lansing, Michigan 48909-7536

The Honorable Scott Shackleton, Chair
House Appropriations Subcommittee
on Transportation
Michigan House of Representatives
P.O. Box 30014
Lansing, Michigan 48909-7514

Dear Senator Johnson and Representative Shackleton:

Public Act 162 of 2003, Section 706 requires the Detroit/Wayne County Port Authority (DWCPA) to issue an operations assessment and a financial disclosure statement by February 15, 2004. Enclosed are those documents that were provided to the department by DWCPA.

If you have any questions regarding these reports, please contact John Stoker, Chief Financial Officer, DWCPA, at (313) 331-3842, extension 307.

Sincerely,

Gloria J. Jeff
Director

MMTSB:ADM:LH:ba
Enclosures

cc: Members of the Senate and House Appropriations
Subcommittees on Transportation
Mary Lannoye, Office of the State Budget
Craig Thiel, Senate Fiscal Agency
William Hamilton, House Fiscal Agency
Ronald DeCook
Rob Abent
Sharon K. Catey
Kirk Steudle

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Detroit/Wayne County
Port Authority
Michigan's Intermodal Gateway

Operation's Assessment
5-Year Work Plan

2004

Detroit/Wayne County Port Authority

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John M. Stoker
Chief Financial Officer

Cheryl Graham Solomon
Director of Marketing

John K. Kerr
Economic Development Specialist

Executive Summary

The mission of the Detroit/Wayne County Port Authority (DWCPA) is to plan, develop and foster economic growth within Southeast Michigan. Traditionally the marketing and promotional arm for the Port of Detroit, the DWCPA is looking to broaden its horizons and become a complementary planning agency within the region and the State. Comprehensive port goals stress the importance of adding collaborative pieces to the complex puzzle of effective riverfront redevelopment. The "Work Plan" outlines goals and summaries for the three main strategic components of the DWCPA: Economic Development, Recreation and Environment.

A section on the Port of Detroit's economic impact defines the true value of commerce and trade in Southeast Michigan. The Port of Detroit contributes an estimated \$490 million dollars from waterborne commerce to the regional economy through jobs, taxes and business revenue. Detroit's links to our nation's largest trading partner, Canada, carry approximately 2.2 million trucks annually. Trade with Canada via Detroit produces nearly \$7 billion dollars, or 70% of total U.S. trade with Canada. These numbers reflect the importance trade and commerce have in our region, and illustrate how important Detroit, Michigan is nationally. The DWCPA will further analyze the economic impact and make these figures easily accessible in order to promote further growth and attract future business to the area.

Besides educating and marketing the value our intermodal connections to the economy, the DWCPA seeks to contribute its development capabilities as a part of regional planning initiatives. The DWCPA finds it vital to maintain and preserve current port facilities in order to sustain the strength of current output levels. Further, development of Detroit's first public dock and passenger terminal has already been appropriated six million dollars from the federal government and should be completed by late 2003. Cruising the Great Lakes has returned after a 30-year absence from Detroit. The DWCPA will use this new passenger terminal as a welcome center for future visits from various cruise vessels. This development not only enhances Detroit's standing as a tourist destination, but provides tangible evidence that riverfront redevelopment is underway. Other projects include dredging of the Detroit River to provide efficient access for large freighters and cruise vessels. Improve our border crossing security and efficiency through federal grants and funding alternatives.

The Detroit River is gaining increased visibility with its designation as an American Heritage River. Logically, this calls for increased assistance and management of Detroit's most valuable resource. In the long-term, the DWCPA sees itself as the lead agency for preserving and building upon maritime interests, and a complementary component for waterfront redevelopment. General bonding capabilities provide the DWCPA's funding sources with an alternative financing mechanism that provides working capital. This bonding ability has never been utilized but is currently being studied and marketed for future economic development projects that can benefit Southeast Michigan.

The Detroit/Wayne County Port Authority, like port authorities in other major cities, can be a very effective development partner. As the only planning agency that can contribute expertise in marketing maritime and port related initiatives, the DWCPA seeks to enhance its participation in waterfront redevelopment management and financing.

Background

A. HISTORY OF THE PORT

Detroit, "the gateway to the West" was founded in 1701. It soon became a strategically, major trading center, a central location for valuable commodities imported from and exported to destinations in all directions. The logistical importance of Detroit, then a tiny outpost located at the southern tip of what is now Griswold St., was recognized by Antoine de La Mothe Cadillac. He saw a vital link for such valuable commodities as forest products and various mining materials. More prominently, Detroit quickly became known as a lucrative fur-trading center. The West Coast supplied daily shipments of timber, wool and field products, while the East Coast continued the production of various manufactured goods. Combined, they both utilized Detroit as a natural location for transshipment. Added to the scheme were valuable discoveries of copper, iron ore and limestone in Northern Michigan, as well as crucial supplies of coal in the South. With these discoveries in place, Detroit's status rose dramatically, and shipbuilders and storage companies began to position themselves along the Detroit River. From these developments came the steel industry, thus the roots for the world's automotive birthplace. Cadillac's small French trading post was eventually transformed into one of the world's most notable manufacturing centers. (See next page for map of Port of Detroit area)

B. ENABLING LEGISLATION

The automotive companies and others maintained Detroit as a strategic port in the decades that followed. The Port enabling legislation was passed in 1978 to permit the creation of the Port Authority, with Henry Ford II serving as the first chairman of the board.

The original Port Authority Act¹ from 1978 allows the DWCPA to,

"do all acts and things necessary or convenient to promote and increase commerce and recreation within [DWCPA's] territorial jurisdiction and carry out the powers expressly granted and any powers implied or necessary for the exercise of powers expressly granted in this act."

Further, those powers granted in the legislation include the following,

"Enter into contracts for the acquisition, improvement, enlargement, or extension of port facilities."

"Acquire construct, reconstruct, rehabilitate, improve, maintain, lease as lessor or as lessee, repair or operate port facilities within its territorial jurisdiction, including the dredging of channels, and turning basins and the filling of land."

¹ State of Michigan Hertel-Law T. Stopczynski Port Authority Act, Act 639 of 1978)

With this enabling legislation, the DWCPA seeks to complement City, County and State initiatives as they relate to future economic development through our region, by taking a more active role in developing property within Southeast Michigan. Further, these development powers have prepared the DWCPA to more effectively complement the goals of our funding sources to improve overall intermodal capabilities. The DWCPA also administers Greater Detroit Foreign Trade Zone, Inc., a separate non-profit corporation responsible for licensing duty free locations available to manufacture, stage and distribute products utilizing foreign and domestic content.

Effective utilization of the DWCPA increases access to potential funding sources, and provides the City, County and State with another agency to administer and finance important development projects along the waterfront.

C. MISSION STATEMENT / GOALS AND OBJECTIVES

The Mission of the Detroit/Wayne County Port Authority is to plan, develop and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and Southeast Michigan as an import/export freight transportation and distribution hub for the U.S., Canada and the World marketplace.

The DWCPA will accomplish this task as a performance-based agency by providing logistical, marketing, bonding, educational and integrated support services to the intermodal transportation industry (air, water, rail and trucking) based around the Great Lakes, St. Lawrence Seaway and foreign trade zone areas. The DWCPA's objective for establishing this "Work Plan" is to identify our Port's mission, goals and objectives, economic impact on the community and specific projects planned or currently undertaken. It is the intent of the DWCPA for this document to serve as a guide for future Port activities. All projects are a combination of three development areas: economic development, recreation/tourism and environmental stewardship as outlined on the following pages.

Goals and Objectives

Comprehensive Port Goals

1. Build and maintain relationships among funding sources (City of Detroit, Wayne County and the State of Michigan) to ensure that our strategic visions are compatible.
2. Develop and enhance the credibility of the DWCPA by aggressively marketing and educating regional government agencies, industries and academic institutions of our mission, goals and value to the economy.
3. Carve out a more defined niche within the larger planning and development arena that does not duplicate efforts by other agencies, thus utilizing our services more effectively.
4. Collaborate, where appropriate, with other planning and development agencies to establish working partnerships that increase and diversify trade and commerce for the city and region.
5. Maintain strong political support, finances and personnel so that we can implement port projects that bring new business opportunities, fueling our global competitiveness.

Economic Development

1. Research opportunities for economic development and provide support to determine the feasibility of a project and identify potential funding sources.
2. Pursue revenue-generating economic development projects which provide for greater financial independence.
3. Increase domestic and international commerce by evaluating potential markets, participating in improved cross-border trade and expanding the influence and services of Greater Detroit Free Trade Zone, Inc.
4. Lobby and support our congressional delegation to appropriate our fair share of federal economic development funds toward Saint Lawrence Seaway/Great Lakes transportation system development initiatives.
5. Continue involvement in the development of complete intermodal capabilities.

In order to maintain and encourage growth in the regional manufacturing sector, the DWCPA intends to prioritize preserving valuable industrially zoned property. The DWCPA's enabling legislation allows the Port to undertake land purchases that help promote the flow of domestic and international commerce. Preserving current dock facilities and adjacent port property allows the Port to aggressively market our region with competitive facilities and infrastructure keeping Detroit and Southeast Michigan one of our countries largest ports. The DWCPA's main interests are industrial projects that further secure growth in employment and a strong revenue base for our region. The DWCPA remains committed to working with the City of Detroit, Wayne County and State of Michigan in assisting waterfront development.

The Authority also seeks to enhance its role in facilitating the resolution of cross-border transportation and trade issues that affect the business community and its citizens. We feel it necessary to remove unnecessary impediments that clog traffic through this vital international link in order to encourage future business and tourism demand.

Recreational

1. Continue developing the Great Lakes and City of Detroit as a sustainable port of call for the cruising industry.
2. Collaborate with agencies dedicated to promoting tourism and increased recreational access in order to explore new opportunities for DWCPA involvement, while enhancing the promotion of current DWCPA recreational projects.
3. Create a unique identity for the region by educating visitors along the 32-mile Detroit waterfront of our region's historical significance as it relates to trade and commerce.
4. Partner with the City of Detroit on its Riverwalk Conservancy project.

The DWCPA has several recreational goals and accomplishments, aside from commerce, which promote tourism and other forms of activity generating interest along the Detroit Riverfront. Leading these accomplishments is the return of passenger cruise vessels to the Great Lakes. Preliminary findings reveal that for every cruise visit to the Port of Detroit, \$150,000 is directly spent limits on hotels, museum trips, restaurants, tour buses, cab rides and other tourist-related expenditures. Redeveloping this industry, which came to a halt in 1967, does more than impact our community economically. It helps renew a worldwide image for the City of Detroit, complementing a larger campaign to promote Detroit as an international city and attract more tourism to the region.

The DWCPA also wishes to improve access and amenities for the recreational boating industry in Southeast Michigan. Creating better access to marinas, museums and restaurants helps draw attention to the riverfront. At the same time it provides amenities for current residents who wish to share in the splendor of our river.

The DWCPA vision for the riverfront is a blend of recreational and commercial activity linked by visible access from downriver areas to Belle Isle. Understanding that the Detroit Riverfront is one of our most marketable assets, the DWCPA encourages increased access and visibility from strategic points of pedestrian concentration. The DWCPA also encourages the education of visitors about our waterfront's historical significance in trade, as well as about the rich habitat and wildlife it supports. This helps establish our unique identity and contribution to the development of our country that we can promote and be proud of.

Environmental

1. Collaborate with the United States Army Corps of Engineers to pursue federal funding for select dredging and other river related projects that maintain and enhance our waterways.
2. Communicate regularly with our port terminal operators to identify areas of critical need and other concerns as they relate to sustainable river commerce.
3. Continue leadership involvement with the American Heritage River development team.
4. Establish a collaborative working partnership with the City of Detroit Parks and Recreation Department and the Department of Environmental Quality, through all units of government, for involvement in brownfield and other Clean Michigan Initiatives.

Helping maintain adequate environmental standards along the 32-mile Detroit Riverfront is another facet of the DWCPA "Work Plan." Working directly with the United States Army Corps of Engineers (ACE) and our region's terminal operators, the DWCPA seeks to divert a portion of the dredging funds usually earmarked for East and West coast ports, in order to initiate dredging projects on our own Great Lakes. The DWCPA seeks to be the agency that drafts proposals and secures funding for dredging and soil erosion projects amidst a larger environmental cleanup plan along the Detroit River. The DWCPA will coordinate its project submission with the ACE budget cycle. The Port will determine future market trends and how they relate to navigational and harbor depth requirements. By identifying the possibilities of our future markets, the DWCPA, in collaboration with our terminal operators, will effectively meet the needs of the international community.

The Detroit River was one of fourteen rivers chosen as an American Heritage River by President Clinton from over 120 applications nationwide. This designation is expected to help the municipalities along the 32 mile stretch of the Detroit River obtain federal funding more effectively for various river-related environmental projects, through a federally appointed River Navigator.

The DWCPA is also establishing a working partnership with the State Department of Environmental Quality as it initiates the recently passed Clean Michigan Initiative. Working closely with the City of Detroit and Wayne County so as to not duplicate efforts, the DWCPA will contribute valuable development powers in order to pursue brownfield redevelopment along the waterfront. Clean Michigan Initiative has several other appropriated programs that the DWCPA finds concurrent with their vision, such as park revitalization, river clean-ups and waterfront rehabilitation.

Five-Year Operational Goals

The Detroit/Wayne County Port Authority is currently pursuing the following projects:

- **PORT TERMINAL DEVELOPMENT**

The intent of this goal is to ensure the long-term viability of the Port of Detroit by protecting important terminal and dock property. Recently, the City of Detroit condemned Detroit Marine Terminal Dock #1 along the Rouge River, thus eliminating needed space for bulk storage capacity. The DWCPA seeks to protect important docks and terminals to ensure long-term growth for the Port of Detroit. The Port Authority has recently completed negotiations to acquire an existing port site and an operator, in turn creating another revenue stream for the DWCPA.

Once the DWCPA acquires the site, it will invest through a general revenue bond offering in substantial infrastructure improvements to stimulate these sites, thus promoting economic growth. ~~This includes clearing the sites and making the necessary improvements that will~~ attract new transportation, distribution and warehousing companies, ensuring the region's port viability for the next century.

As technology and markets continue to evolve, the Port of Detroit is increasingly becoming a cost-effective alternative for general bulk, time-sensitive and container cargoes, especially since the events of "911". The DWCPA plans to market these sites in conjunction with a larger feeder port terminal much like the European Hub port system. These revamped distribution components will focus attention on Detroit as a destination port and transshipment hub to the rest of the Great Lakes system.

- **PUBLIC DOCK AND TERMINAL PROJECT**

The DWCPA will continue efforts to develop a new public dock and terminal facility on the downtown Detroit waterfront. Currently, negotiations are complete for the purchase of the land from General Motors and to construct a new facility next to their world headquarters. The DWCPA, in conjunction with the Federal Highway Administration and coordinated by the Michigan Department of Transportation, has completed an environmental assessment. Construction is expected to begin by mid 2004. The facility will allow for a regional marketing program to attract vessels of interest, or accommodate cruise ships, into the Metro Detroit area. Similar facilities have been created in other Great Lakes cities such as Cleveland, Toronto, Chicago, Duluth, Eire and Milwaukee.

- **SOFT ENGINEERING OF SHORELINES DEMONSTRATION PROJECT**

The Great Lakes Commission announced that the Detroit/Wayne County Port Authority, in conjunction with the Greater Detroit American Heritage River Initiative, was awarded one of 18 grants under the Great Lakes Basin Program for Soil Erosion and Sediment Control.

The project was intended as a training field and demonstration project that would produce a cost-effective, environmentally friendly alternative for reducing soil erosion. The project would help rehabilitate the shoreline along the Detroit River incorporating volunteers and multiple community stakeholders from the Greater Detroit Metropolitan Area. The project will serve as a model for soft engineering practices along Detroit's waterfront.

It is hoped that through aggressive advertising and education of this demonstration project, future large scale planning initiatives for soft engineering practices will result up and down the Detroit riverfront where applicable.

- **WATER RESOURCES DEVELOPMENT ACT (WRDA) 2003**

The Detroit River is a vital waterway that provides access to domestic and global markets abroad. The Detroit River not only facilitates steel imports into Detroit that fuels our automotive industry nationally, but grain exports from Duluth that often provide a "backhaul" for visiting foreign vessels. Thus, the Detroit River is responsible for serving multiple transportation needs that include importing and exporting into the Port of Detroit, and travel throughout the Great Lakes system.

Projects identified for the Detroit River will be coordinated through the local district of the Army Corps of Engineers, City of Detroit and DWCPA. Projects will be identified through an assessment process beginning in the fall of 2002.

- **CRUISE SHIPS AND THE PORT OF DETROIT**

In response to increasing demand by Great Lakes cruise interests, the Great Lakes maritime community has established the Great Lakes Cruising Coalition (GLCC). The GLCC is comprised of two representatives from the province of Ontario and one each from the eight Great Lakes states. Steven Olinek, Deputy Director of the DWCPA, chairs the coalition.

The GLCC's objectives are constructing a unified strategic and marketing plan that will be used to regulate and attract cruise ships to the Great Lakes. Sub-committees within the GLCC include sales, technical, advertising, International marketing and North American marketing.

- **REHABILITATION OF CURRENT PORT FACILITIES**

This project would preserve and develop existing deep-water ports by initiating the planning and support of the Detroit/Wayne County Port Authority. Several different State and City planning and development agencies have expressed interest in assisting the Port Authority in developing the existing port district located at the foot of Clark Street and Jefferson Avenue. The Port Authority is identifying sites that have the potential to expand upwards of 40 acres for intermodal transportation and commercial uses that promote economic development stemming for the port district.

Engaging several key city agencies that share the idea there is a need in the City of Detroit to further develop the port district will become an initiative. Thus, the DWCPA could facilitate a land/water transfer facility for international trade fulfilling its mission in developing and ensuring the provision of transportation facilities and services in metropolitan Detroit.

The potential for development within the boundaries of our federally designated empowerment zone is also being pursued by the DWCPA. Rehabilitating current dock facilities and leasing them out within the zone would bring employment and revenue to the area.

- **GREATER DETROIT FOREIGN TRADE ZONE**

Continued to market and administer one of the largest foreign trade zone programs in the United States, Greater Detroit Foreign Trade Zone, Inc. (GDFTZ). Since its inception more than twenty years ago, GDFTZ has continually worked to gain new program participants and to diversify the types of companies and industries involved. This is consistent with the mission of GDFTZ to provide a means of helping local companies successfully compete in the world marketplace. By promoting FTZ use, GDFTZ helps spur regional economic development and the creation of local jobs.

During the coming year, additional FTZ projects are anticipated in Oakland and Wayne Counties including a zone application for Pinnacle Aeropark of Wayne County. Overall, the program is expected to make significant gains in the coming year, despite the ongoing economic downturn.

- **DREDGING PROJECTS ALONG THE DETROIT RIVER**

The Detroit/Wayne County Port Authority (DWCPA) has established a collaborative working agreement with the United States Army Corps of Engineers (ACOE), Detroit District. The purpose is to coordinate the needs of government and industry on important dredging or other environmental river-related issues and to assist the ACOE in their federal budget requests for the next few fiscal years. Both agencies will construct a memorandum of agreement that secures funding for applicable projects.

The majority of federal assistance for dredging projects is sent to coastal ports. Therefore, it is essential for the Port Authority to aggressively attract and secure subsidies for dredging and other river related projects in order to sustain current output levels produced by the Port of Detroit. Without adequate leadership on river maintenance issues, federal assistance would continue to be diverted from our region.

The Army Corps of Engineers provides technical assistance through surveys, soundings, borings, environmental studies, and contract award administration and documentation. The Federal government, acting through the Army Corps of Engineers and Port Authority, will enter into an agreement that enlists the engineering and related expertise of the Army Corps for dredging, inspection, consultation and other related activities. Additional funds may become available through Detroit's status as an American Heritage River.

The DWCPA supports the Corp's proposed feasibility study of the entire Great Lakes/St. Lawrence Seaway, which will look at whether capital improvements can make the system cost effective.

- **DEWIN VENTURE**

The Detroit-Windsor regional port system could potentially bring two of the richest cargo markets in North America to one port of call. Such consolidation would more efficiently distribute cargo handling and storage capabilities by expanding the services our region can offer. In addition, such a regional port system would enhance the costs and services we can offer by increasing competition. Due to recent developments in Canadian port deregulation and security requirements, the DWCPA will actively research the feasibility of such a partnership. This partnership could involve the development of alternative border crossing facilities and services including barges, bridges and tunnels.

- **COMMERCIAL CARGO VOLUMES**

Because of depressed market conditions in the worldwide economy over the past two years, the embargo on imports of most steel products mandated by the Bush administration, has severely debilitated the local port terminal business. In support of the domestic automobile manufacturing industry, the major cargo in Detroit has always been imported steel. The current business climate highlights the need for the Port Authority to work closely with terminal operators, industry, the St. Lawrence Seaway Development Corporation, political interest groups and legislators to ensure that the viability of Great Lakes' shipping is preserved. Additionally, efforts are underway to investigate the diversification of cargoes presently entering the Port of Detroit.

- **PORT SECURITY GRANTS.**

The DWCPA received a \$450,000 Port Security Grant from the U.S. DOT's Transportation Security Administration (TSA) for marine equipment to further strengthen the international border along the Detroit River within the boundaries of Wayne County. The DWCPA, the authorized lead agency, will continue to apply for grant monies as funds are made available for application.

The prior year, only \$135,000 of the total \$92 million issued under the first round of the U.S. DOT's Transportation Security Administration (TSA) grants went to the Great Lakes and was awarded to one of the DWCPA's constituents in Detroit.

- **EQUIPMENT RENTAL PROGRAM**

The DWCPA would eventually like to establish an equipment rental program that can further enhance the agency's revenue stream. Concurrent with our goals to preserve and improve port terminals, we foresee future demand for this business. This program will assist our local terminal operators in having access to important equipment that could be shared. Further, having the appropriate equipment on hand to serve future port terminal tenants is essential in order to attract new customers.

The DWCPA will establish itself as a coordinator for the purpose of assessing the conditions and capacities of current port terminal equipment. In order to sustain current output levels it is essential that equipment is updated and modernized to meet the needs for the next century of maritime activity. By assisting our terminal operators, we can facilitate relationships with other government agencies that are able to appropriate adequate funding for the purpose of modernizing current equipment. The DWCPA seeks to maintain our standing as one of the country's most valuable ports.

DETROIT/WAYNE COUNTY
PORT AUTHORITY

FINANCIAL STATEMENTS

September 30, 2003 and 2002

**George Johnson
& Company**

DETROIT/WAYNE COUNTY PORT AUTHORITY

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**George Johnson
& Company**

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INDEPENDENT AUDITORS' REPORT

November 14, 2003

To the Board of Directors
Detroit/Wayne County Port Authority
Detroit, Michigan

We have audited the accompanying statements of net assets and balance sheets (governmental funds) of the Detroit/Wayne County Port Authority (the "Authority") as of September 30, 2003 and 2002, and the related statements of activities and of revenue, expenditures, and changes in fund balances (governmental funds) for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Detroit/Wayne County Port Authority as of September 30, 2003 and 2002, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, during the year ended September 30, 2003, the Authority changed its method of financial reporting and financial presentation.

Board of Directors
Detroit/Wayne County Port Authority
November 14, 2003
Page Two

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The accompanying management's discussion and analysis and schedule of revenue and expenditures - budget and actual (operating fund) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the supplementary information and, accordingly, we do not express an opinion on it.


CERTIFIED PUBLIC ACCOUNTANTS

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2003

This section of the annual report of the Detroit/Wayne County Port Authority (the "Authority") presents management's discussion and analysis of the Authority's financial performance during the fiscal year that ended on September 30, 2003. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The fiscal year ended September 30, 2003 was a period of continuous operational and financial improvements. During the year, revenue increased by 28.7 percent, and program expenses increased by 28.5 percent. As a result, net assets increased by approximately \$499,000.

Key successes for the Authority this past year include receipt of the following:

1. A \$250,000 grant from Wayne County to provide funding for the upgrading and refurbishing of the marine terminal facility.
2. A \$150,000 reimbursement grant from the State of Michigan to perform environmental surveys on specific properties.
3. A reimbursement grant from the State of Michigan for the purpose of purchasing property to enhance public access to the waterfront.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net assets and statements of activities (which are presented on pages 9 and 10) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and fund balances for governmental funds (which are presented on pages 11 and 13) are considered fund financial statements. A further discussion of each type of statement follows.

Government-Wide Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

September 30, 2003

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements (continued)

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

Fund Financial Statements

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

Most of the Authority's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 12 and 14 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 15, explain some of the information in the financial statements and provide more detailed data. A comparison of the Authority's operating fund revenue and expenditures to its budget is provided on page 25.

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

September 30, 2003

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects the condensed statements of net assets as of September 30, 2003 and 2002:

Table 1

Statements of Net Assets

September 30, 2003 and 2002

(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
Assets:		
Cash	\$ 834.5	\$ 534.6
Cash reserve for bond issuance	500.0	-0-
Accounts receivable	236.9	91.6
Capital assets	40.2	47.3
Other assets	337.5	21.2
	<u>1,949.1</u>	<u>694.7</u>
Liabilities:		
Long-term liabilities	500.0	-0-
Other liabilities	328.6	73.3
	<u>828.6</u>	<u>73.3</u>
Net Assets:		
Invested in capital assets, net of related debt	40.2	47.3
Unrestricted	1,080.3	574.1
	<u>1,120.5</u>	<u>621.4</u>
	<u>\$ 1,120.5</u>	<u>\$ 621.4</u>

Accounts receivable balances are reviewed for collectibility and are written off as necessary. During the year ended September 30, 2003, no allowance is considered necessary. The statement of net assets includes a \$500,000 escrow account to hold funds in case of a default in conjunction with the upcoming bond issuance.

Liabilities increased due to the costs associated with the bond issuance and the marine terminal activities that were not paid as of September 30, 2003.

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

September 30, 2003

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects the condensed statements of activities for the years ended September 30, 2003 and 2002:

Table 2
Statements of Activities
For the Years Ended September 30, 2003 and 2002
(in thousands of dollars)

	<u>2003</u>	<u>2002</u>
Revenue:		
Program revenue:		
Contracts and grants	\$ 1,473.0	\$ 1,033.5
General revenue:		
Administrative revenue	161.1	161.3
Other revenue	<u>89.6</u>	<u>144.5</u>
Total Revenue	1,723.7	1,339.3
Expenses:		
Import and export promotional programs	<u>1,224.6</u>	<u>952.9</u>
Net Increase in Net Assets	499.1	386.4
Net Assets, Beginning of Year	<u>621.4</u>	<u>235.0</u>
Net Assets, End of Year	<u>\$ 1,120.5</u>	<u>\$ 621.4</u>

Revenue increased significantly due to a one-time grant from Wayne County for capital improvements to the marine terminal facility that is being acquired by the issuance of bonds. The State of Michigan awarded a site reclamation grant for the environmental surveys necessary to take possession of the marine terminal. These grants will give the Authority an additional ongoing revenue stream from marine and port-related activities.

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

September 30, 2003

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

The Authority received a \$3 million reimbursement grant from the State of Michigan for the purpose of purchasing property on the Detroit River along the new Riverwalk Conservancy. The Authority will use future proceeds from its Tea-21 grant and future State of Michigan matches to construct a new public dock and terminal facility to further waterfront development and tourism. These projects are planned for completion in mid-2005 and will further increase the Authority's waterfront presence.

ECONOMIC FACTORS

The Board of Directors and management have worked diligently to improve the financial position of the Authority and to implement plans and projects that will reduce the dependency for tax-based funding to meet administrative expenses. The Port of Detroit project to acquire the Detroit Marine Terminals property at the foot of Clark Street and Jefferson in Detroit and enter into an Operating Agreement with a new company was essentially completed in September 2003. The acquisition is being made by issuing revenue bonds. This is the first issuance of bonds by the Authority and is a milestone in implementing those plans and projects to substantially increase revenue to the Authority, promote economic development in the port district, and greatly improve commerce within the region.

The site for the new Public Dock and Terminal Facility was chosen to be a part of the new Riverwalk Conservancy, adjacent to General Motors' World Headquarters at the foot of Bates Street. Possession of the project parcel is planned for the first quarter of 2004, with construction beginning in the second quarter of 2004. The project is scheduled for completion in mid-2005 so it will be available for that year's Great Lakes cruise ship season. This project will greatly promote tourism in southeast Michigan and have a very significant economic impact on the region. The Authority plans on moving its offices into the new Terminal Facility and reducing administrative expenses by terminating its current office lease.

The Authority has prioritized waterfront economic development and is using its legislatively enabled powers to aggressively seek grant monies from federal and state agencies to fund all categories of projects, promoting commerce, tourism, and environmental stewardship. This coming year, the Authority will receive and spend over \$10 million in grant monies that have been awarded for projects along the Detroit waterfront.

Presently, all of the projects that will have a significant economic impact for the Authority are in the implementation stages, and the full benefits will not be fully realized in the immediate future. The dependency of the Authority for continued tax-based funding for the administrative function is critical to the ongoing success of the Authority.

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

September 30, 2003

ECONOMIC FACTORS (CONTINUED)

Any significant reductions in the funding level of the Authority will result in a reduction of program services and the demonstrated benefits those projects and services provide.

FINANCIAL CONTACT

This financial report is designed to present its users with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer's office of the Detroit/Wayne County Port Authority at 8109 East Jefferson, Detroit, Michigan 48214.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF NET ASSETS

September 30, 2003 and 2002

	Governmental Activities	
	2003	2002
Assets:		
Cash	\$ 834,499	\$ 534,591
Cash reserve for bond issuance (Note E)	500,000	-0-
Accounts receivable (no allowance considered necessary)	236,936	91,591
Prepaid expenses	9,581	8,247
Deposits	13,000	13,000
Capital assets, net (Note C)	40,219	47,300
Unamortized bond issuance costs (Note I)	314,903	-0-
Total Assets	1,949,138	694,729
Liabilities:		
Accounts payable	5,616	10,156
Accrued expenses (Note F)	323,051	62,179
Lease payable (Note D)	-0-	1,032
Long-term liabilities due or expected to be paid in more than one year:		
Bond escrow payable (Note E)	500,000	-0-
Total Liabilities	828,667	73,367
Net Assets:		
Invested in capital assets, net of related debt	40,219	47,300
Unrestricted	1,080,252	574,062
Total Net Assets	\$ 1,120,471	\$ 621,362

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2003 and 2002

	<u>Governmental Activities</u>	
	<u>2003</u>	<u>2002</u>
Expenses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 606,106	\$ 566,818
Contractual and professional services	75,258	81,200
Facility operations and maintenance	160,286	146,719
Office expenses	79,804	70,708
Site reclamation and redevelopment	185,280	-0-
Conferences, dues, and subscriptions	68,552	51,283
Marketing and promotion	34,408	21,773
Depreciation (Note C)	14,856	14,366
	<u>1,224,550</u>	<u>952,867</u>
Program Revenue:		
Contracts and grants (Note G)	1,473,000	1,033,500
	<u>248,450</u>	<u>80,633</u>
General Revenue:		
Administrative revenue (Note B)	161,122	161,345
Rental income	82,820	71,484
Interest and other income	6,717	5,200
Reduction of accrued legal expenses (Note F)	-0-	67,743
	<u>250,659</u>	<u>305,772</u>
Net Increase in Net Assets	499,109	386,405
Net Assets, Beginning of Year	621,362	234,957
	<u>\$ 1,120,471</u>	<u>\$ 621,362</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

September 30, 2003 and 2002

	2003			2002	
	Operating Fund	Debt Service Fund	Total All Funds	Operating Fund	Total All Funds
ASSETS					
Cash	\$ 834,499	\$ -0-	\$ 834,499	\$ 534,591	\$ 534,591
Cash reserve for bond issuance (Note E)		500,000	500,000		-0-
Accounts receivable (no allowance considered necessary)	236,936		236,936	91,591	91,591
Prepaid expenses	9,581		9,581	8,247	8,247
Deposits	13,000		13,000	13,000	13,000
Total Assets	\$ 1,094,016	\$ 500,000	\$ 1,594,016	\$ 647,429	\$ 647,429
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,616	\$ -0-	\$ 5,616	\$ 10,156	\$ 10,156
Accrued expenses (Note F)	323,051		323,051	62,179	62,179
Lease payable (Note D)			-0-	1,032	1,032
Total Liabilities	328,667	-0-	328,667	73,367	73,367
Fund Balances:					
Reserved for debt service		500,000	500,000		-0-
Unreserved	765,349		765,349	574,062	574,062
Total Fund Balances	765,349	500,000	1,265,349	574,062	574,062
Total Liabilities and Fund Balances	\$ 1,094,016	\$ 500,000	\$ 1,594,016	\$ 647,429	\$ 647,429

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET ASSETS

September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Total Fund Balances, Governmental Funds	\$ 1,265,349	\$ 574,062
<p>Amounts reported for governmental activities in the statements of net assets differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
<p>Depreciable capital assets:</p>		
Cost	216,548	221,048
Less: Accumulated depreciation	(176,329)	(173,748)
<p>Long-term assets applicable to governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Unamortized bond issuance costs	314,903	-0-
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:</p>		
Bond escrow payable	(500,000)	-0-
Total Net Assets, Governmental Activities	<u>\$ 1,120,471</u>	<u>\$ 621,362</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS**

For the Years Ended September 30, 2003 and 2002

	2003			2002	
	Operating Fund	Debt Service Fund	Total All Funds	Operating Fund	Total All Funds
Revenue:					
Contracts and grants (Note G)	\$ 1,473,000	\$ -0-	\$ 1,473,000	\$ 1,033,500	\$ 1,033,500
Administrative revenue (Note B)	161,122		161,122	161,345	161,345
Rental income	82,820		82,820	71,484	71,484
Interest and other income	6,717		6,717	5,200	5,200
Reduction in accrued legal expenses (Note F)			-0-	67,743	67,743
Total Revenue	1,723,659	-0-	1,723,659	1,339,272	1,339,272
Expenditures:					
Current:					
Salaries, wages, and employee benefits	606,106		606,106	566,818	566,818
Contractual and professional services	390,161		390,161	81,200	81,200
Facility operations and maintenance	160,286		160,286	146,719	146,719
Office expenses	79,804		79,804	70,708	70,708
Site reclamation and redevelopment	185,280		185,280		-0-
Conferences, dues, and subscriptions	68,552		68,552	51,283	51,283
Marketing and promotion	34,408		34,408	21,773	21,773
Capital outlay (Note C)	7,775		7,775	28,478	28,478
Total Expenditures	1,532,372	-0-	1,532,372	966,979	966,979
Excess of Revenue over Expenditures	191,287	-0-	191,287	372,293	372,293
Other Financing Sources:					
Issuance of bond escrow proceeds (Note E)		500,000	500,000		-0-
Net Increase in Fund Balances	191,287	500,000	691,287	372,293	372,293
Fund Balances, Beginning of Year	574,062	-0-	574,062	201,769	201,769
Fund Balances, End of Year	\$ 765,349	\$ 500,000	\$ 1,265,349	\$ 574,062	\$ 574,062

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Net Increase in Fund Balances, Governmental Funds	\$ 691,287	\$ 372,293
<p>Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. During the years presented, these amounts are as follows:</p>		
Capital outlay	7,775	28,478
Less: Depreciation expense	(14,856)	(14,366)
<p>Costs incurred in issuing long-term debt are reported as expenditures in governmental funds. However, in the statements of activities, such costs increase long-term assets in the statements of net assets. During the years presented, these amounts are as follows:</p>		
Bond issuance costs	314,903	-0-
<p>Proceeds issued on long-term debt are reported as a financing source in governmental funds, but the proceeds increase long-term liabilities in the statements of net assets. During the years presented, these amounts are as follows:</p>		
Issuance of bond escrow proceeds	<u>(500,000)</u>	<u>-0-</u>
Net Increase in Net Assets, Governmental Activities	<u>\$ 499,109</u>	<u>\$ 386,405</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

September 30, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities and Purpose

The Detroit/Wayne County Port Authority (the "Authority") was created by the Port Authority Act of 1978. The legislation enables the Authority to enter into contracts for the acquisition, improvement, enlargement, or extension of port facilities. The mission of the Authority is to plan, develop, and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and southeast Michigan as an import and export freight transportation and distribution hub for the United States, Canada, and the world marketplace.

For financial reporting purposes, the Authority is not a component unit of any other governmental entity. There are no fiduciary funds or component units included in the accompanying financial statements.

Basis of Presentation

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

Government-Wide Financial Statements

The government-wide financial statements report information about all of the Authority's assets, liabilities, net assets, revenue, and expenses, similar to the financial statements of non-governmental enterprises.

Fund Financial Statements

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

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements (continued)

The following funds are used by the Authority:

Operating Fund

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

Debt Service Fund

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

Change in Accounting Principle

The Governmental Accounting Standards Board ("GASB") issued Statement of Governmental Accounting Standards ("SGAS") No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments," in June 1999. SGAS No. 34 was subsequently amended by SGAS No. 37, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus - an Amendment of GASB Statements No. 21 and No. 34," and SGAS No. 38, "Certain Financial Statement Note Disclosures." These Statements establish new requirements for the measurement and display of information in the financial statements, as well as related note disclosures and required supplementary information. The Authority adopted the provisions of these Statements, effective October 1, 2002. The financial statements as of, and for the year ended, September 30, 2002 have been restated accordingly.

Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned, and expenses are recorded when incurred.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Government-Wide Financial Statements (continued)

Contracts and grants provided to support program activities are classified as program revenue. Administrative, rental, investment, and other income not directly associated with program services provided are classified as general revenue.

Fund Financial Statements

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable.

In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt or earlier if the susceptible-to-accrual criteria are met.

Cash

The Authority's cash deposits are held in financial institutions insured as members of the Federal Deposit Insurance Corporation, or otherwise insured, in the Authority's name. As of September 30, 2003 and 2002, the Authority's carrying amount of deposits and bank balances, and the bank balances covered by federal depository or other insurance, are as follows:

	<u>2003</u>	<u>2002</u>
Carrying amount of deposits	\$ 834,499	\$ 534,591
Bank balances	<u>\$ 625,173</u>	<u>\$ 481,398</u>
Bank balances covered by federal depository or other insurance	<u>\$ 397,787</u>	<u>\$ 145,941</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

No provision has been established for income taxes since the Authority is exempt from income taxes under Internal Revenue Code section 501(c)(4).

Capital Assets

Capital assets are recorded at historical cost. The Authority capitalizes all expenditures for furniture, fixtures, and equipment in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense. Renewals or betterment which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

Compensated Absences

Vacation time is accrued as earned. Employees are allowed to carry over a maximum of 40 days. Upon termination, employees are entitled to their unused accumulated vacation time.

Sick time is accrued as earned. Employees are allowed to carry over all sick time. Upon termination, employees forfeit their unused accumulated sick time.

Concentration of Credit Risk

Financial instruments which potentially subject the Authority to concentrations of credit risk consist principally of cash and accounts receivable.

The Authority places its cash with two high credit qualified financial institutions. The amount on deposit in one institution exceeds the \$100,000 limit that is insured by the Federal Deposit Insurance Corporation. The Authority's remaining cash is invested at a second financial institution which, in management's estimation, is not at risk of financial instability and which insures the entire balance against possible fraud or theft. The Authority's accounts receivable are due principally from the City of Detroit, the State of Michigan, and Greater Detroit Foreign Trade Zone, Inc. ("GDFTZ").

Reclassifications

Certain reclassifications have been made to the 2002 financial statements to conform to classifications used in 2003.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE B - ADMINISTRATIVE REVENUE

The Authority provides administrative services for the GDFTZ. Total fees were \$161,122 and \$161,345 for the years ended September 30, 2003 and 2002, respectively.

NOTE C - CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2003 and 2002 is as follows:

	<u>Furniture and Fixtures</u>	<u>Office Equipment</u>	<u>Total</u>
Cost:			
Balance, October 1, 2001	\$ 84,981	\$ 107,589	\$ 192,570
Acquisitions		28,478	28,478
	84,981	136,067	221,048
Acquisitions	724	7,051	7,775
Less: Dispositions		(12,275)	(12,275)
	\$ 85,705	\$ 130,843	\$ 216,548
Accumulated Depreciation:			
Balance, October 1, 2001	\$ 66,410	\$ 92,972	\$ 159,382
Depreciation expense	3,905	10,461	14,366
	70,315	103,433	173,748
Depreciation expense	3,793	11,063	14,856
Less: Dispositions		(12,275)	(12,275)
	\$ 74,108	\$ 102,221	\$ 176,329
Net Capital Assets:			
Balance, September 30, 2002	\$ 14,666	\$ 32,634	\$ 47,300
Balance, September 30, 2003	\$ 11,597	\$ 28,622	\$ 40,219

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE D - LEASES

The Authority leases a building for office space under an operating lease. The lease has a five-year renewal option exercisable through August 2006, with the ability to terminate the lease at any time with six months' notice.

The Authority leased office equipment under a capital lease, with the option to purchase the office equipment at a specified price. The term of this lease expired in December 2002.

The Authority leases office equipment under an operating lease. The term of this lease expires in December 2005.

The Authority has entered into an agreement to lease a docking facility. The terms of the lease are contingent on the start of certain Authority docking terminal projects. As of September 30, 2003, the Authority did not incur any expenses in conjunction with this lease.

The following is a schedule by years of future minimum lease payments under operating leases as of September 30, 2003:

<u>For the Year Ended September 30</u>	<u>Amount</u>
2004	\$ 111,865
2005	117,865
2006	101,194
	<u>\$ 330,924</u>

Rental expense under operating leases for the years ended September 30, 2003 and 2002 was \$104,672 and \$97,000, respectively.

NOTE E - DEBT SERVICE RESERVE

The Authority is in the process of issuing revenue bonds, as discussed in Note J. In conjunction with the bond issuance, the Authority is required by the underwriter to establish a \$500,000 escrow account to hold the funds in case of default.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE E - DEBT SERVICE RESERVE (CONTINUED)

On September 12, 2003, the Authority entered into a general loan contract with the Michigan Department of Transportation ("MDOT") to fund the account. MDOT loaned \$500,000 to the Authority, which is to be repaid after the last bond payment has been made. Interest earned on the escrow account must be remitted to MDOT.

As of September 30, 2003, MDOT issued the check to the Authority; however, the escrow account has not been established as of that date.

NOTE F - REDUCTION OF ACCRUED LEGAL EXPENSES

The Authority entered into an agreement with its attorneys to write off fees related to legal services performed in years prior to October 1, 2001. The original accrual was reduced by \$67,743, and the remaining liability was paid in August 2002. The reduction in the accrual was recorded as revenue in the statement of activities for the year ended September 30, 2002.

NOTE G - CONTRACTS AND GRANTS

The Authority has entered into contracts with the following governmental entities from which the Authority receives operating funds:

State of Michigan

The Authority's contract with MDOT is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be negotiated annually and cannot exceed \$500,000 per year.

County of Wayne

The Authority receives a line-item appropriation in the budget of the County of Wayne (the "County"). The amount of funding for future years under the appropriation is negotiated annually.

On January 23, 2003, the Authority entered into a one-time contract with the County to provide funding for the upgrading and refurbishing of the marine terminal facility.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE G - CONTRACTS AND GRANTS (CONTINUED)

City of Detroit

The Authority's contract with the City of Detroit is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be negotiated annually.

The Authority has also obtained the following grants:

Site Reclamation Program

The Authority received a \$150,000 reimbursement grant from the Michigan Department of Environmental Quality ("MDEQ") to perform environmental surveys on specific properties. As of September 30, 2003, the Authority incurred \$150,000 of reimbursable costs.

Waterfront Redevelopment

On July 3, 2003, the Authority received a \$3 million reimbursement grant from the MDEQ for the purpose of purchasing property to enhance public access to the riverfront through improvements to the infrastructure. The grant agreement expires on August 4, 2004. As of September 30, 2003, the Authority incurred \$8,000 of reimbursable costs.

Total contract and grant revenue is summarized as follows:

	<u>2003</u>	<u>2002</u>
State of Michigan	\$ 500,000	\$ 468,500
County of Wayne:		
Operating	315,000	315,000
Marine terminal facility	250,000	-0-
City of Detroit	250,000	250,000
Site reclamation program	150,000	-0-
Waterfront redevelopment	8,000	-0-
	<u>\$ 1,473,000</u>	<u>\$ 1,033,500</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2003 and 2002

NOTE H - CONTINGENCIES

On May 23, 2003, the Authority escrowed, subject to a closing, a Management and Operating Agreement with a cargo terminal facility company. Under this agreement, the Authority would grant exclusive use of its cargo terminal facility, at completion, for an annual fee. As of September 30, 2003, the agreement had not been closed or executed.

NOTE I - RISK MANAGEMENT

Given the normal activities of the Authority and the relatively low rate of claims and lawsuits experienced in the Authority's past history, the risk involved in the Authority's operations is minimal and, in management's opinion, is sufficiently covered by insurance policies.

NOTE J - SUBSEQUENT EVENT

The Authority is negotiating with its underwriter to issue \$5,950,000 in variable rate demand revenue bonds to finance the acquisition of leasehold interests of a port terminal facility and to defease existing bonds issued to finance a port facility. The Authority will use proceeds from its Management and Operating Agreement with the cargo terminal facility company (see Note H) to make the bond payments. As of September 30, 2003, the Authority has incurred \$314,903 in bond issuance costs.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT/WAYNE COUNTY PORT AUTHORITY

**SCHEDULE OF REVENUE AND EXPENDITURES - BUDGET AND ACTUAL -
OPERATING FUND (UNAUDITED)**

For the Year Ended September 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance with Final Budget</u>
Revenue:				
Contracts and grants	\$ 1,065,000	\$ 1,065,000	\$ 1,473,000	\$ 408,000
Administrative revenue	161,345	161,345	161,122	(223)
Rental income	82,460	82,460	82,820	360
Interest and other income	2,695	2,695	6,717	4,022
Total Revenue	<u>1,311,500</u>	<u>1,311,500</u>	<u>1,723,659</u>	<u>412,159</u>
Expenditures:				
Current:				
Salaries, wages, and employee benefits	773,785	773,785	606,106	167,679
Contractual and professional services	175,000	175,000	390,161	(215,161)
Facility operations and maintenance	162,020	162,020	160,286	1,734
Office expenses	94,480	94,480	79,804	14,676
Site reclamation and redevelopment			185,280	(185,280)
Conferences, dues, and subscriptions	66,915	66,915	68,552	(1,637)
Marketing and promotion	39,300	39,300	34,408	4,892
Capital outlay			7,775	(7,775)
Total Expenditures	<u>1,311,500</u>	<u>1,311,500</u>	<u>1,532,372</u>	<u>(220,872)</u>
Net Increase in Fund Balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 191,287</u>	<u>\$ 191,287</u>