

DETROIT/WAYNE COUNTY  
PORT AUTHORITY

**FINANCIAL STATEMENTS**

**September 30, 2011 and 2010**

**George Johnson  
& Company**  

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DETROIT/WAYNE COUNTY PORT AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

April 16, 2012

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the years ended, September 30, 2011 and 2010, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. 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 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 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 opinions.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2011 and 2010, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the financial statements, during the year ended September 30, 2011, the Authority changed its method of classifying its fund balances.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)**

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 16, 2012, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and schedules of revenue and expenditures - budget and actual (general fund) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 information and express no opinion on it.

  
CERTIFIED PUBLIC ACCOUNTANTS

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**September 30, 2011 and 2010**

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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 years that ended on September 30, 2011 and 2010. Please read it in conjunction with the Authority's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

The fiscal year ended September 30, 2011 was a period of continuous operational and financial improvements. During the year, revenue increased by 12.5 percent and program expenses decreased by 8.3 percent. As a result, net assets increased by approximately \$7.1 million.

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

- The Authority, in June 2011, dedicated its new public dock and terminal project along the Detroit River. The \$22 million project was funded by a variety of competitive and discretionary grant programs. Primary project partners and funders were the Federal Highway Administration and the Michigan Department of Transportation.
- As an extension to its successful brownfield program, the Authority applied for, and received, \$160,000 in brownfield cleanup funding to cleanup a former Detroit police station. For more than five years, Southwest Housing Solutions, in collaboration with other art groups, residents, and businesses, expressed an interest in developing a Creative Arts Center in southwest Detroit. The proposed Creative Arts Center will allow for low-cost art studios and exhibition space for emerging and practicing artists. More importantly, it will revitalize a portion of a neighborhood, adjacent to the Port of Detroit, impacted by blight and abandonment.
- The Authority continues to serve as the fiduciary agent for all U.S. Port Security grant funding distributed to the Port of Detroit by the U.S. Department of Homeland Security. Chosen by the local Area Maritime Security Committee, which is facilitated by the U.S. Coast Guard and represents all local homeland security agencies, the Authority will continue to invest in projects that mitigate gaps in security, while advancing economic development goals of the region by encouraging local companies and businesses to provide solutions. The Port of Detroit received \$1 million in funding in 2011, and seeks to implement selected projects in 2012.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2011 and 2010**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

- The Authority, in partnership with the Friends of the Rouge River, Southwest Detroit Environmental Vision, and the City of Dearborn, obtained a \$150,000 grant from the National Oceanic and Atmospheric Association's ("NOAA") Great Lakes Restoration Act and removed 18 abandoned vessels from the Rouge River around Fordson Island. This island is halfway between the Rouge River turning basin at the Ford Rouge facility and the mouth of the Rouge River, which connects at the Detroit River. These vessels contained harmful substances that were a threat to the surrounding habitat, but also made for an eyesore and dumping ground to the adjacent neighborhood.
- The Authority finished spending \$400,000 in 2011, thanks to a grant by the Michigan Department of Environmental Quality ("MDEQ"), through its Michigan Clean Diesel Initiative. This funding was made possible by the U.S. Environmental Protection Agency, through the American Recovery and Reinvestment Act, to retrofit four diesel engines on aerial lift equipment owned by Nicholson Terminal & Dock Co., and to retrofit diesel engines on a tugboat and two generator sets at Waterfront Petroleum, both located within the Port of Detroit. The Authority plans to market these successful projects port-wide in 2012 and pursue more funds for additional work.
- The Authority closed out its first bond issuance this past year with General Motors. The \$41 million bond issuance, which took place in 2005, was a showcase project for the Authority, providing an example of the public-private investment model the Authority's structured financing program offers. The unique aspects of the financing provide benefits to private sector participants, while providing the Authority a separate revenue stream that will allow for self-sufficiency from its governing units and a separate revenue stream for waterfront redevelopment projects.

**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 10 and 11) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 12 and 14) 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2011 and 2010**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Financial Statements (continued)**

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.

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 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 13 and 15 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 16, explain some of the information in the financial statements and provide more detailed data. A comparison of the Authority's general fund revenue and expenditures to its budget is provided on page 32.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

September 30, 2011 and 2010

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the condensed statements of net assets as of September 30, 2011, 2010, and 2009:

**Table 1**  
**Statements of Net Assets**  
**September 30, 2011, 2010, and 2009**  
*(in thousands of dollars)*

	<u>2011</u>	<u>2010 (Restated)</u>	<u>2009</u>
<b>Assets:</b>			
Cash	\$ 588.7	\$ 533.2	\$ 545.9
Accounts receivable	100.3	274.2	199.3
Capital assets	24,288.4	17,056.0	10,864.2
Other assets	6.5	28.1	29.8
<b>Total Assets</b>	<b><u>24,983.9</u></b>	<b><u>17,891.5</u></b>	<b><u>11,639.2</u></b>
<b>Liabilities:</b>			
Long-term liabilities	2,030.3	2,001.3	1,939.0
Other liabilities	623.3	703.0	468.3
<b>Total Liabilities</b>	<b><u>2,653.6</u></b>	<b><u>2,704.3</u></b>	<b><u>2,407.3</u></b>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	22,136.6	14,931.1	8,784.8
Unrestricted	193.7	256.1	447.1
<b>Total Net Assets</b>	<b><u>\$ 22,330.3</u></b>	<b><u>\$ 15,187.2</u></b>	<b><u>\$ 9,231.9</u></b>

Accounts receivable balances are reviewed for collectibility and are written off as necessary. As of September 30, 2011, 2010, and 2009, no allowance was considered necessary.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)****September 30, 2011 and 2010****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended September 30, 2011, 2010, and 2009:

**Table 2**  
**Statements of Activities**  
**For the Years Ended September 30, 2011, 2010, and 2009**  
*(in thousands of dollars)*

	<u>2011</u>	<u>2010</u> <u>(Restated)</u>	<u>2009</u>
<b>Revenue:</b>			
Program revenue:			
Contracts and grants	\$ 2,238.3	\$ 2,116.9	\$ 3,119.3
Noncash contributions	6,598.4	5,786.5	5,240.0
Other program revenue	12.5	25.0	25.0
General revenue:			
Administrative revenue	168.0	168.0	168.0
Other revenue	89.9	1.6	2.8
	<u>9,107.1</u>	<u>8,098.0</u>	<u>8,555.1</u>
<b>Expenses:</b>			
Import and export promotional programs	<u>1,964.0</u>	<u>2,142.7</u>	<u>3,010.5</u>
	<b>7,143.1</b>	<b>5,955.3</b>	<b>5,544.6</b>
Net Assets, Beginning of Year	<u>15,187.2</u>	<u>9,231.9</u>	<u>3,687.3</u>
	<b><u>\$ 22,330.3</u></b>	<b><u>\$ 15,187.2</u></b>	<b><u>\$ 9,231.9</u></b>

Grant revenue increased primarily due to the MDEQ Clean Diesel grant and the NOAA grant, as well as the continuation of the port security grant.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2011 and 2010**

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**ECONOMIC FACTORS**

The Authority is pleased to announce that the Board of Directors and management have continued to work diligently to improve the financial position of the Authority and to implement plans and projects that will reduce the Authority's dependency on tax-based funding to meet administrative expenses.

Under the Port of Detroit project, the Authority continues its partnership with the Detroit Marine Terminal's property at the foot of Clark Street and Jefferson in Detroit. In the project's first four years of operation, activity at the Port of Detroit has returned to historical levels, but now that the auto industry is rebounding, management expects a healthier 2012.

This enhanced business will increase revenue to the Authority, promote economic development in the port district, and greatly improve commerce within the region.

In June 2011, the Authority moved into its new public dock and terminal facility, which 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 was taken in August 2004, and construction began in November 2008. The project was completed in February 2011. Since moving into the building in June 2011, the Authority has already hosted two Great Lakes cruise ships and numerous sailing vessels. This project will greatly promote tourism in southeast Michigan and will have a very significant economic impact on the region.

The Authority has prioritized waterfront economic development, and it continues to use 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 past year, the Authority received and spent more than \$10 million in grant monies that have been awarded for projects along the Detroit waterfront.

The Authority currently serves as the region's fiduciary agent for the U.S. Port Security grant program and as a U.S. Environmental Protection Agency Brownfield Revolving Loan Fund manager.

The Authority continues to look for new economic development opportunities.

The current economic upturn will positively affect cargo terminal revenue in 2012. The dependence of the Authority on continued tax-based funding for its administrative function is critical to the ongoing success of the Authority. 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.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2011 and 2010**

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**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 Executive Director's office of the Detroit/Wayne County Port Authority at 130 East Atwater, Detroit, Michigan 48226.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF NET ASSETS**

**September 30, 2011 and 2010**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010 (Restated)</b>
<b>Assets:</b>		
Cash	\$ 588,731	\$ 533,195
Accounts receivable (no allowance considered necessary)	100,316	274,218
Prepaid expenses and deposits	6,454	28,106
Capital assets (Note C):		
Nondepreciable capital assets	3,976,940	16,260,935
Depreciable capital assets, net	<u>20,311,476</u>	<u>795,017</u>
<b>Total Assets</b>	<b><u>24,983,917</u></b>	<b><u>17,891,471</u></b>
<b>Liabilities:</b>		
Accounts payable	275,818	235,497
Accrued expenses	92,709	156,423
Deferred revenue	133,234	187,500
Long-term liabilities (Note D):		
Due or expected to be paid within one year	121,483	123,535
Due or expected to be paid in more than one year	<u>2,030,332</u>	<u>2,001,344</u>
<b>Total Liabilities</b>	<b><u>2,653,576</u></b>	<b><u>2,704,299</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	22,136,601	14,931,073
Unrestricted	<u>193,740</u>	<u>256,099</u>
<b>Total Net Assets</b>	<b><u>\$ 22,330,341</u></b>	<b><u>\$ 15,187,172</u></b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2011 and 2010**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010 (Restated)</b>
<b>Expenses:</b>		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 738,863	\$ 913,296
Contractual and professional services	117,209	36,838
Facility operations and maintenance	44,135	67,539
Office expenses	114,505	61,044
Site reclamation and redevelopment	468,099	809,414
Travel and automotive expenses	22,785	35,679
Conferences, dues, and subscriptions	32,487	26,139
Marketing and promotion	50,431	13,887
Bad debt expense	40,377	-0-
Interest expense	130,369	153,732
Depreciation (Note C)	204,721	25,114
<b>Total Program Expenses</b>	<b>1,963,981</b>	<b>2,142,682</b>
<b>Program Revenue:</b>		
Contracts and grants (Note F)	2,238,257	2,116,852
Noncash contributions	6,598,439	5,786,478
Project development and administration	12,500	25,000
<b>Total Program Revenue</b>	<b>8,849,196</b>	<b>7,928,330</b>
<b>Net Program Revenue</b>	<b>6,885,215</b>	<b>5,785,648</b>
<b>General Revenue:</b>		
Administrative revenue (Note B)	168,000	168,000
Events	48,700	-0-
Miscellaneous income	41,254	1,669
<b>Total General Revenue</b>	<b>257,954</b>	<b>169,669</b>
<b>Net Increase in Net Assets</b>	<b>7,143,169</b>	<b>5,955,317</b>
Net Assets, Beginning of Year (Note A)	15,187,172	9,231,855
<b>Net Assets, End of Year</b>	<b>\$ 22,330,341</b>	<b>\$ 15,187,172</b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**BALANCE SHEETS - GOVERNMENTAL FUNDS**

September 30, 2011 and 2010

	<u>General Fund</u>	
	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash	\$ 588,731	\$ 533,195
Accounts receivable (no allowance considered necessary)	100,316	274,218
Prepaid expenditures and deposits	6,454	28,106
<b>Total Assets</b>	<b><u>\$ 695,501</u></b>	<b><u>\$ 835,519</u></b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 275,818	\$ 235,497
Accrued expenses	43,796	102,046
Deferred revenue	133,234	187,500
<b>Total Liabilities</b>	<b><u>452,848</u></b>	<b><u>525,043</u></b>
<b>Fund Balances:</b>		
Nonspendable	6,454	28,106
Unassigned	236,199	282,370
<b>Total Fund Balances</b>	<b><u>242,653</u></b>	<b><u>310,476</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 695,501</u></b>	<b><u>\$ 835,519</u></b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET ASSETS**

**September 30, 2011 and 2010**

	<b>2011</b>	<b>2010 (Restated)</b>
Total Fund Balances, Governmental Funds	\$ 242,653	\$ 310,476
<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>		
Nondepreciable capital assets	3,976,940	16,260,935
Depreciable capital assets:		
Cost	20,640,752	1,010,051
Less: Accumulated depreciation	(329,276)	(215,034)
<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>		
Note payable	(2,151,815)	(2,124,879)
Accrued vacation pay	(48,913)	(54,377)
<b>Total Net Assets, Governmental Activities</b>	<b>\$ 22,330,341</b>	<b>\$ 15,187,172</b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

**For the Years Ended September 30, 2011 and 2010**

	<u>General Fund</u>	
	<u>2011</u>	<u>2010 (Restated)</u>
<b>Revenue:</b>		
Contracts and grants (Note F)	\$ 2,238,257	\$ 2,116,852
Noncash contributions	6,598,439	5,786,478
Administrative revenue (Note B)	168,000	168,000
Project development and administration	12,500	25,000
Events	48,700	-0-
Miscellaneous income	41,254	1,669
	<u>9,107,150</u>	<u>8,097,999</u>
<b>Total Revenue</b>		
<b>Expenditures:</b>		
Current:		
Salaries, wages, and employee benefits	744,327	933,821
Contractual and professional services	117,209	36,838
Facility operations and maintenance	44,135	67,539
Office expenses	114,505	61,044
Site reclamation and redevelopment	468,099	809,414
Travel and automotive expenses	22,785	35,679
Conferences, dues, and subscriptions	32,487	26,139
Marketing and promotion	50,431	13,887
Bad debt expense	40,377	-0-
Interest expense	130,369	153,732
Debt service (Note D)	8,269	4,668
Capital outlay (Note C)	7,437,185	6,216,874
	<u>9,210,178</u>	<u>8,359,635</u>
<b>Total Expenditures</b>		
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>(103,028)</b>	<b>(261,636)</b>
<b>Other Financing Sources:</b>		
Additions to note payable (Note C)	35,205	50,200
	<u>35,205</u>	<u>50,200</u>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>(67,823)</b>	<b>(211,436)</b>
Fund Balances, Beginning of Year	310,476	521,912
	<u>310,476</u>	<u>521,912</u>
<b>Fund Balances, End of Year</b>	<b>\$ 242,653</b>	<b>\$ 310,476</b>
	<u>\$ 242,653</u>	<u>\$ 310,476</u>

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, 2011 and 2010**

	<u>2011</u>	<u>2010</u> (Restated)
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ (67,823)	\$ (211,436)
<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	7,437,185	6,216,874
Less: Depreciation expense	(204,721)	(25,114)
<p>Certain expenses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. During the years presented, these amounts are as follows:</p>		
Accrued vacation pay, beginning of year	54,377	74,902
Less: Accrued vacation pay, end of year	(48,913)	(54,377)
<p>Proceeds issued on, and other additions to, long-term debt are reported as a financing source, and repayment of, and other reductions of, long-term debt are reported as an expenditure in governmental funds, but the additions and reductions increase and decrease, respectively, long-term liabilities in the statements of net assets. During the years presented, these amounts are as follows:</p>		
Additions to note payable	(35,205)	(50,200)
Reductions to note payable	8,269	4,668
	<u>8,269</u>	<u>4,668</u>
<b>Net Increase in Net Assets, Governmental Activities</b>	<b><u>\$ 7,143,169</u></b>	<b><u>\$ 5,955,317</u></b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2011 and 2010**

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**NOTE A – NATURE OF ORGANIZATION AND 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.

**Change in Accounting Principle**

The Governmental Accounting Standards Board issued Statement of Governmental Accounting Standards (“SGAS”) No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” in February 2009. SGAS No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In addition, SGAS No. 54 clarifies the definitions of various types of funds and provides guidance for classifying and disclosing stabilization amounts. The Authority adopted the provisions of SGAS No. 54, effective October 1, 2010. The fund balances as of September 30, 2010 have been reclassified accordingly; however, the implementation of SGAS No. 54 did not impact the Authority’s net assets, changes in net assets, changes in fund balances, or total fund balance.

**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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

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

**Basis of Presentation (continued)**

**Fund Financial Statements**

For purposes of the fund financial statements, the accounts of the 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. The following fund is used by the Authority:

**General Fund**

The general 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.

The Authority's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable**

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

**Restricted**

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**Committed**

These fund balances consist of amounts that are constrained to specific purposes by the Authority itself, using its highest level of decision-making authority, which is the Board of Directors. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Directors takes action to remove or change the constraint. The Board of Directors typically establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, or through adoption and amendment of the budget.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

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

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Assigned**

These fund balances consist of amounts that the Authority intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Directors, or by an official or body to which the Board of Directors delegates the authority. Assigned fund balances are typically established through funding agreements or adoption or amendment of the budget.

**Unassigned**

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

**Basis of Accounting**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Contracts and grants provided to support program activities, as well as project development and administration fees, are classified as program revenue. Administrative, investment, event, 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.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2011 and 2010**

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

**Basis of Accounting (continued)**

**Fund Financial Statements (continued)**

Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

**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).

**Cash Deposits**

State of Michigan statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State of Michigan that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to the Authority. The Authority does not have a deposit policy for custodial credit risk.

All of the Authority's non-interest-bearing cash balances were fully insured as of September 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Authority's non-interest-bearing cash balances may again exceed federally insured limits.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

**NOTE A – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Cash Deposits (continued)**

As of September 30, 2011 and 2010, the Authority's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2011</u>	<u>2010</u>
Carrying amount of deposits	\$ 588,731	\$ 533,195
Total bank balances	<u>\$ 613,334</u>	<u>\$ 830,483</u>
Uninsured and uncollateralized bank balances	<u>\$ 151,793</u>	<u>\$ 330,462</u>

**Concentration of Credit Risk**

During the year ended September 30, 2011, the Authority made purchases from three vendors of \$1,182,357, or approximately 65 percent of total purchases. The total amount due to these vendors was \$93,060 as of September 30, 2011.

**Capital Assets**

Capital assets are recorded at historical cost. The Authority capitalizes all expenditures for buildings, building improvements, and land improvements in excess of \$5,000, as well as all expenditures for furniture, fixtures, and equipment in excess of \$1,000. 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 betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.

**Pollution Remediation Obligations**

Pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups. Upon the occurrence of one of five specified events, the Authority estimates the components of expected pollution remediation outlays to determine whether outlays for these components should be accrued as a liability in the government-wide financial statements at current value or, under certain circumstances, whether these outlays should be capitalized in the government-wide financial statements. No pollution remediation obligations have been recorded as of September 30, 2011 and 2010 because none of the five specified events have occurred.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2011 and 2010**

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

**Compensated Absences**

Vacation time is accrued in the government-wide financial statements 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 in the government-wide financial statements as earned. Employees are allowed to carry over all sick time. Upon termination, employees forfeit their unused accumulated sick time.

In the fund financial statements, only the matured liability for compensated absences is recorded. The total liability for vacation pay is reported in the government-wide financial statements.

**Reclassifications**

Certain reclassifications have been made to the financial statements as of, and for the year ended, September 30, 2010 to conform to classifications used as of, and for the year ended, September 30, 2011.

**Prior Period Adjustments**

During the year ended September 30, 2011, the Authority's management identified certain costs relating to the construction of the Port Detroit Terminal building and building improvements that were classified as site reclamation and redevelopment expense during the year ended September 30, 2010, but should have been included as construction-in-progress in the government-wide financial statements and capital outlay in the fund financial statements. As a result, nondepreciable capital assets and net assets invested in capital assets were each understated by \$425,032 as of September 30, 2010, while the general fund balance as of September 30, 2010 was not impacted. In addition, expenses were overstated by \$425,032 in the government-wide financial statements for the year ended September 30, 2010, while total expenditures did not change in the fund financial statements for the year ended September 30, 2010. The financial statements as of September 30, 2010, and for the year then ended, have been adjusted to correct these errors retrospectively.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

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

**Prior Period Adjustments (continued)**

The impact of these prior period adjustments as of September 30, 2010, and for the year then ended, on the Authority's financial statements is as follows:

	<u>Government-Wide Financial Statements</u>		<u>Fund Financial Statements</u>	
	<u>Restated</u>	<u>As Originally Reported</u>	<u>Restated</u>	<u>As Originally Reported</u>
<b>As of September 30, 2010:</b>				
Nondepreciable capital assets	\$ 16,260,935	\$ 15,835,903	\$ -0-	\$ -0-
Net assets invested in capital assets, end of year	14,931,073	14,506,041	-0-	-0-
<b>For the Year Ended September 30, 2010:</b>				
Site reclamation and redevelopment	809,414	1,234,446	809,414	1,234,446
Capital outlay	-0-	-0-	6,216,874	5,791,842

**NOTE B - ADMINISTRATIVE REVENUE**

The Authority provides administrative services for Greater Detroit Foreign Trade Zone, Inc. ("GDFTZ"). Total fees were \$168,000 each year for the years ended September 30, 2011 and 2010. A balance of \$-0- and \$14,000 was receivable from GDFTZ as of September 30, 2011 and 2010, respectively.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

**NOTE C - CAPITAL ASSETS**

Nondepreciable capital asset activity for the years ended September 30, 2011 and 2010 is as follows:

	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance, October 1, 2009	\$ 3,976,940	\$ 6,072,485	\$ 10,049,425
Acquisitions		6,211,510	6,211,510
<b>Balance, September 30, 2010 (as Restated) (Note A)</b>	<b>3,976,940</b>	<b>12,283,995</b>	<b>16,260,935</b>
Acquisitions		7,211,926	7,211,926
Less:			
Transfers to building and improvements		(19,495,921)	(19,495,921)
<b>Balance, September 30, 2011</b>	<b><u>\$ 3,976,940</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 3,976,940</u></b>

Depreciable capital asset activity for the years ended September 30, 2011 and 2010 is as follows:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
<b>Cost:</b>				
Balance, October 1, 2009	\$ 903,917	\$ 42,727	\$ 58,043	\$ 1,004,687
Acquisitions		5,364		5,364
<b>Balance, September 30, 2010</b>	<b>903,917</b>	<b>48,091</b>	<b>58,043</b>	<b>1,010,051</b>
Acquisitions		1,197	224,346	225,543
Transfers from construction in progress	19,495,921			19,495,921
Less: Dispositions		(32,720)	(58,043)	(90,763)
<b>Balance, September 30, 2011</b>	<b><u>\$ 20,399,838</u></b>	<b><u>\$ 16,568</u></b>	<b><u>\$ 224,346</u></b>	<b><u>\$ 20,640,752</u></b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

**NOTE C - CAPITAL ASSETS (CONTINUED)**

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
<b>Accumulated Depreciation:</b>				
Balance, October 1, 2009	\$ 92,131	\$ 40,375	\$ 57,414	\$ 189,920
Depreciation expense	<u>23,177</u>	<u>1,735</u>	<u>202</u>	<u>25,114</u>
<b>Balance, September 30, 2010</b>	<b>115,308</b>	<b>42,110</b>	<b>57,616</b>	<b>215,034</b>
Depreciation expense	193,391	1,990	9,340	204,721
Less: Dispositions	<u>          </u>	<u>(32,720)</u>	<u>(57,759)</u>	<u>(90,479)</u>
<b>Balance, September 30, 2011</b>	<b><u>\$ 308,699</u></b>	<b><u>\$ 11,380</u></b>	<b><u>\$ 9,197</u></b>	<b><u>\$ 329,276</u></b>
<b>Net Depreciable Capital Assets:</b>				
Balance, September 30, 2010	<u>\$ 788,609</u>	<u>\$ 5,981</u>	<u>\$ 427</u>	<u>\$ 795,017</u>
Balance, September 30, 2011	<u><u>\$ 20,091,139</u></u>	<u><u>\$ 5,188</u></u>	<u><u>\$ 215,149</u></u>	<u><u>\$ 20,311,476</u></u>

**NOTE D - LONG-TERM LIABILITIES**

The Authority entered into a Master Concession Agreement with the Ambassador Port Company (“Ambassador”), which gives Ambassador the right to operate the Authority’s port facilities. In connection with the Master Concession Agreement, the Authority borrowed \$2,103,000 from Ambassador. The related note agreement includes a provision for the possible advance of future amounts by Ambassador for the purpose of paying certain operating and expansion costs of the facilities associated with the Master Concession Agreement. The note bears interest at a rate defined in the Master Concession Agreement as 300 basis points over the yield to maturity of five-year United States Treasury notes, as published in a respected financial journal. According to the agreement, the interest rate should not be less than six percent; the rate that has been charged as of September 30, 2011 and 2010 was six percent. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

**NOTE D - LONG-TERM LIABILITIES (CONTINUED)**

Long-term liability activity for the years ended September 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Balance, beginning of year	\$ 2,124,879	\$ 2,079,347
Additions	35,205	50,200
Less: Reductions	<u>(8,269)</u>	<u>(4,668)</u>
<b>Balance, End of Year</b>	<b><u>\$ 2,151,815</u></b>	<b><u>\$ 2,124,879</u></b>
Amounts due within one year	<u>\$ 121,483</u>	<u>\$ 123,535</u>

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>For the Years Ending September 30:</b>			
2012	\$ 121,483	\$ 128,517	\$ 250,000
2013	129,065	120,935	250,000
2014	137,120	112,880	250,000
2015	145,677	104,323	250,000
2016	154,769	95,231	250,000
2017-2021	931,365	318,635	1,250,000
2022	<u>532,336</u>	<u>8,163</u>	<u>540,499</u>
	<b><u>\$ 2,151,815</u></b>	<b><u>\$ 888,684</u></b>	<b><u>\$ 3,040,499</u></b>

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year will be six percent, which is equal to the effective interest rate as of September 30, 2011, and that the revenue received by the Authority under the relevant sections of the Master Concession Agreement will be \$250,000 each year. Due to the nature of these assumptions and the uncertainties inherent in setting them, it is at least reasonably possible that changes in the near term to these assumptions would be material to the preceding schedule.

**NOTE E - LEASES**

The Authority leases a copier under an operating lease that expires in 2013.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2011 and 2010**

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**NOTE E – LEASES (CONTINUED)**

The following is a schedule by year of future minimum lease payments under the noncancelable operating lease as of September 30, 2011:

<b>For the Year Ending September 30:</b>	
2012	\$ 3,397
2013	<u>2,548</u>
	<u><b>\$ 5,945</b></u>

The Authority leased a building under a month-to-month lease through June 13, 2011. As of June 14, 2011, this lease was canceled as the Authority moved its offices to a new location.

Rental expense under operating leases for the years ended September 30, 2011 and 2010 was \$47,397 and \$69,397, respectively.

**NOTE F - CONTRACTS AND GRANTS**

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

**State of Michigan**

The Authority's contract with the Michigan Department of Transportation ("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 determined annually.

**County of Wayne**

The Authority receives a line-item appropriation in the budget of the County of Wayne. The amount of funding for future years under the appropriation will be determined annually.

**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 determined annually.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2011 and 2010**

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**NOTE F - CONTRACTS AND GRANTS (CONTINUED)**

The Authority has also obtained the following grants:

**Federal Highway Grant**

The Authority received a reimbursement grant from MDOT to construct the public dock and terminal facility on specific properties. In addition, certain expenditures for the construction of the building owned by the Authority upon its completion in June 2011, including expenditures for land development and improvements, were paid directly to construction contractors by MDOT. MDOT's direct payments to contractors have been recorded as noncash contributions in the accompanying financial statements.

**Port Security Grants**

The Authority received a \$1,000,000 reimbursement grant in 2011 from the U.S. Department of Homeland Security for the purpose of investing in projects that mitigate gaps in security, while advancing economic development goals of the region by encouraging local companies and businesses to provide solutions. The Port of Detroit received \$1,000,000 in funding in 2011 and seeks to implement selected projects in 2012. The Authority provides status reports on a quarterly basis.

**Brownfield Grant**

The Authority received a \$400,000 Brownfield grant from the Environmental Protection Agency for environmental site investigations within the Port of Detroit district. The Authority provides status reports on a quarterly basis. The grant agreement was renewed on September 1, 2006, and a new grant was awarded October 1, 2006 for \$400,000.

**Michigan Department of Environmental Quality Brownfield Redevelopment Grant**

The Authority received a \$480,000 grant from the Michigan Department of Environmental Quality ("MDEQ") to redevelop the site of the Piquette Building in midtown Detroit on June 16, 2009. The contract is through June 16, 2011.

**Michigan Department of Environmental Quality Clean Diesel Grant**

The Authority received two grants from the MDEQ for the Waterfront Petroleum Terminal Company Project (award of \$309,913) and the Nicholson Terminal and Dock Project (award of \$141,700) under the Michigan Clean Diesel Recovery and Reinvestment Grants during 2010, and the projects were successfully completed during 2011. These funds were made available under the American Recovery and Reinvestment Act of 2009.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

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**NOTE F - CONTRACTS AND GRANTS (CONTINUED)**

**National Oceanic and Atmospheric Administration Grant**

The Authority was awarded a \$150,000 Marine Debris Removal grant by the National Oceanic and Atmospheric Association (“NOAA”), specifically through the Great Lakes Restoration Initiative. The funding allowed the Authority to remove approximately 18 abandoned recreational vessels from the Rouge River in order to facilitate recreational opportunities and improve the adjacent neighborhood.

**Creative Arts Center Grant**

The Authority received a \$160,000 Brownfield Cleanup grant from the MDEQ to assist Southwest Housing Solutions, a southwest Detroit-based non-profit organization, in the redevelopment of a neighborhood arts center. The Creative Arts Center project will focus on the adaptive reuse of the former Detroit Police Third Precinct building and will include the renovation of the first floor and garage areas of the building. Upon completion, the Creative Arts Center is expected to support 20 permanent full-time jobs and 15 part-time jobs. The total capital investment is anticipated to be approximately \$1.2 million.

**Ferry Crossing Study Grants**

To support the recent development of its public dock and terminal building, the Authority received \$20,000 from the Southeast Michigan Council of Governments and \$5,000 from MDOT to support the development of a ferry feasibility and marketing study focusing on the Detroit-Windsor border. This leverages additional investment made by the Authority and the Windsor Port Authority to study the pedestrian traffic that would move from Detroit to Windsor on a daily basis.

Reimbursable costs incurred under the above grants have been recorded as grant revenue in the accompanying financial statements.

**Ambassador Port Revenue**

The Authority entered into a Master Concession Agreement with Ambassador. The Authority’s main purpose for entering into this agreement is to cause a dormant port facility to resume operations. The parties agreed that the Authority is to be compensated for out-of-pocket and administrative costs that the Authority incurs. According to the Master Concession Agreement, Ambassador shall pay the Authority 2.5 percent of gross receipts received in each quarter, less all outstanding interest that accrued during that quarter, any default interest due, and any interest accrued during prior quarters that was added to the principal amount of the promissory note.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2011 and 2010

**NOTE F - CONTRACTS AND GRANTS (CONTINUED)****Ambassador Port Revenue (continued)**

During the years ended September 30, 2011 and 2010, the Authority received \$103,427 and \$107,244, respectively, which was recorded as contract revenue.

Total contract and grant revenue is summarized as follows:

	<b><u>2011</u></b>	<b><u>2010</u></b>
State of Michigan	\$ 468,200	\$ 468,200
County of Wayne	236,250	315,000
City of Detroit	250,000	250,000
Federal highway grant	69,397	16,683
Port security grants	653,081	424,869
Brownfield grant	222,451	229,551
MDEQ brownfield redevelopment grant	8,742	26,136
MDEQ Clean Diesel grant	60,575	279,169
NOAA grant	133,443	-0-
Creative Arts Center grant	27,691	-0-
Ferry crossing study grants	5,000	-0-
Ambassador port revenue	<u>103,427</u>	<u>107,244</u>
	<b><u>\$ 2,238,257</u></b>	<b><u>\$ 2,116,852</u></b>

**NOTE G - 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 H - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State of Michigan ("State") law for the general fund. All annual appropriations lapse at the end of the fiscal year.

Expenditures in excess of amounts budgeted are a violation of State law. State law permits governmental entities to amend their budgets during the year.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2011 and 2010**

**NOTE H - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

During the year ended September 30, 2011, the Authority incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Contractual and professional services	\$ 40,300	\$ 117,209	\$ (76,909)
Office expenses	69,780	114,505	(44,725)
Site reclamation and redevelopment	-0-	468,099	(468,099)
Conferences, dues, and subscriptions	28,240	32,487	(4,247)
Marketing and promotion	17,350	50,431	(33,081)
Bad debt expense	-0-	40,377	(40,377)
Interest expense	-0-	130,369	(130,369)

Revenue was sufficient to cover the excess expenditures. The budget is for administrative items only; it is not the Authority's policy to budget for grant expenditures.

**NOTE I - NEW ACCOUNTING PRONOUNCEMENTS**

The GASB issued SGAS No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," in June 2011. SGAS No. 63 establishes new guidance for reporting deferred outflows of resources (the consumption of net assets by the entity that is applicable to a future reporting period) and deferred inflows of resources (the acquisition of net assets by the entity that is applicable to a future reporting period), as well as reporting net position (the residual of all other elements presented in a statement of financial position), in a revised statement of net position and in governmental funds balance sheet. SGAS No. 63 also provides updated definitions for the three components of net position and expands related note disclosure requirements. SGAS No. 63 applies to the Authority's financial statements for the year ending September 30, 2013, with earlier implementation encouraged. The Authority has not determined the impact on its financial statements of implementing SGAS No. 63.

**REQUIRED SUPPLEMENTARY INFORMATION**

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2011 and 2010

	2011			2010				
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
<b>Revenue:</b>								
Contracts and grants	\$ 1,065,000	\$ 1,065,000	\$ 2,238,257	\$ 1,173,257	\$ 1,033,200	\$ 1,033,200	\$ 2,116,852	\$ 1,083,652
Noncash contributions			6,598,439	6,598,439			5,786,478	5,786,478
Administrative revenue	168,000	168,000	168,000	-0-	168,000	168,000	168,000	-0-
Project development and administration	25,000	25,000	12,500	(12,500)	25,000	25,000	25,000	-0-
Events			48,700	48,700				-0-
Miscellaneous income	900	900	41,254	40,354	5,200	5,200	1,669	(3,531)
<b>Total Revenue</b>	<b>1,258,900</b>	<b>1,258,900</b>	<b>9,107,150</b>	<b>7,848,250</b>	<b>1,231,400</b>	<b>1,231,400</b>	<b>8,097,999</b>	<b>6,866,599</b>
<b>Expenditures:</b>								
Current:								
Salaries, wages, and employee benefits	931,630	931,630	744,327	187,303	931,620	931,620	933,821	(2,201)
Contractual and professional services	40,300	40,300	117,209	(76,909)	52,700	52,700	36,838	15,862
Facility operations and maintenance	115,400	115,400	44,135	71,265	74,960	74,960	67,539	7,421
Office expenses	69,780	69,780	114,505	(44,725)	69,320	69,320	61,044	8,276
Site reclamation and redevelopment			468,099	(468,099)			809,414	(809,414)
Travel and automotive expenses	56,200	56,200	22,785	33,415	56,200	56,200	35,679	20,521
Conferences, dues, and subscriptions	28,240	28,240	32,487	(4,247)	29,250	29,250	26,139	3,111
Marketing and promotion	17,350	17,350	50,431	(33,081)	17,350	17,350	13,887	3,463
Bad debt expense			40,377	(40,377)				-0-
Interest expense			130,369	(130,369)			153,732	(153,732)
Debt service			8,269	(8,269)			4,668	(4,668)
Capital outlay			7,437,185	(7,437,185)			6,216,874	(6,216,874)
<b>Total Expenditures</b>	<b>1,258,900</b>	<b>1,258,900</b>	<b>9,210,178</b>	<b>(7,951,278)</b>	<b>1,231,400</b>	<b>1,231,400</b>	<b>8,359,635</b>	<b>(7,128,235)</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>-0-</b>	<b>-0-</b>	<b>(103,028)</b>	<b>(103,028)</b>	<b>-0-</b>	<b>-0-</b>	<b>(261,636)</b>	<b>(261,636)</b>
<b>Other Financing Sources:</b>								
Additions to note payable			35,205	35,205			50,200	50,200
<b>Net Increase (Decrease) in Fund Balance</b>	<b>-0-</b>	<b>-0-</b>	<b>(67,823)</b>	<b>(67,823)</b>	<b>-0-</b>	<b>-0-</b>	<b>(211,436)</b>	<b>(211,436)</b>

See note to schedules of revenue and expenditures - budget and actual (general fund).

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTE TO SCHEDULES OF REVENUE AND EXPENDITURES -  
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)**

**For the Years Ended September 30, 2011 and 2010**

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**NOTE A - BUDGETS AND BUDGETARY ACCOUNTING**

The Detroit/Wayne County Port Authority (the "Authority") establishes an administrative budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting and does not include grants.

Budgeted amounts are as presented to and approved by the Authority's Board of Directors. No amendments to the budget were made during the year. Appropriations are authorized by the Authority's management. Unexpended appropriations lapse at the end of the fiscal year.