

DETROIT/WAYNE COUNTY
PORT AUTHORITY

FINANCIAL STATEMENTS

September 30, 2010 and 2009

**George Johnson
& Company**

DETROIT/WAYNE COUNTY PORT AUTHORITY

CONTENTS

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3
FINANCIAL STATEMENTS:	
Statements of Net Assets	8
Statements of Activities	9
Balance Sheets - Governmental Funds	10
Reconciliations of Governmental Funds Balance Sheets to Statements of Net Assets	11
Statements of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds	12
Reconciliations of Governmental Funds Statements of Revenue, Expenditures, and Changes in Fund Balance to Statements of Activities	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	25
Note to Schedule of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	26

George Johnson & Company

1200 Buhl Building • 535 Griswold Street • Detroit, Michigan 48226-3689
(313) 965-2655 • Fax (313) 965-4614

INDEPENDENT AUDITORS' REPORT

February 23, 2011

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, 2010 and 2009, 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 23, 2011, 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.

Board of Directors
Detroit/Wayne County Port Authority
February 23, 2011
Page Two

INDEPENDENT AUDITORS' REPORT (CONTINUED)

The accompanying management's discussion and analysis and schedules 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 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, 2010 and 2009

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, 2010 and 2009. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The fiscal year ended September 30, 2010 was a period of continuous operational and financial improvements. During the year, revenue decreased by 5.3 percent and program expenses decreased by 14.7 percent. As a result, net assets increased by approximately \$5,530,000.

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

- A \$1,000,000 grant was received from the U.S. Department of Homeland Security during the year ended September 30, 2010, following four consecutive years of awards totaling \$6,000,000. The Authority is working with the Detroit-Windsor Truck Ferry and the Michigan State Police to implement these awards.
- Construction of the new public dock and terminal continued, with anticipated completion by the end of 2010. The off-shore wharf will be complete by April 2011.
- The Authority received the largest grant award nationally from the U.S. Federal Highway Administration's American Recovery and Reinvestment Act of 2009 ("ARRA") Ferry Boat Discretionary Grant program of \$7.2 million. This was presented onsite by U.S. Transportation Secretary Ray LaHood.
- The Michigan Department of Environmental Quality awarded the Authority \$450,000 in ARRA funding through its Michigan Clean Diesel program, which will replace older diesel engines with new, cleaner burning engines.
- The Authority received a \$150,000 grant from the U.S. National Oceanic and Atmospheric Association's Marine Debris Removal Grant program to remove abandoned vessels from the Rough River surrounding Fordson Island. The grant helps with efforts to restore the island to its natural habitat.
- A \$1,000,000 revolving loan fund was secured from the U.S. Environmental Protection Agency during the year ended September 30, 2010. This loan fund will be implemented during the year ended September 30, 2011. It will be used to provide grants and loans to private and public sector developers with Detroit and Wayne County for environmental remediation projects.

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

September 30, 2010 and 2009

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 8 and 9) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balance for governmental funds (which are presented on pages 10 and 12) 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.

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 11 and 13 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 14, 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**September 30, 2010 and 2009****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the condensed statements of net assets as of September 30, 2010, 2009, and 2008:

Table 1
Statements of Net Assets
September 30, 2010, 2009, and 2008
(in thousands of dollars)

	2010	2009	2008
Assets:			
Cash	\$ 533.2	\$ 545.9	\$ 625.2
Accounts receivable	274.2	199.3	389.6
Capital assets	16,630.9	10,864.2	5,468.7
Other assets	28.1	29.8	29.7
	17,466.4	11,639.2	6,513.2
Total Assets			
Liabilities:			
Long-term liabilities	2,001.3	1,939.0	1,951.4
Other liabilities	703.0	468.3	874.5
	2,704.3	2,407.3	2,825.9
Total Liabilities			
Net Assets:			
Invested in capital assets, net of related debt	14,506.0	8,784.8	3,390.9
Unrestricted	256.1	447.1	296.4
	\$ 14,762.1	\$ 9,231.9	\$ 3,687.3
Total Net Assets			

Accounts receivable balances are reviewed for collectibility and are written off as necessary. As of September 30, 2010, 2009, and 2008, no allowance was considered necessary. Capital assets include the acquisition of the 35-acre Port of Detroit marine cargo terminal, public dock land, new public dock, and terminal building.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**September 30, 2010 and 2009****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended September 30, 2010, 2009, and 2008:

Table 2
Statements of Activities
For the Years Ended September 30, 2010, 2009, and 2008
(in thousands of dollars)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenue:			
Program revenue:			
Contracts and grants	\$ 2,116.9	\$ 3,119.3	\$ 2,557.5
Noncash contributions	5,786.5	5,240.0	173.7
Other program revenue	25.0	25.0	25.0
General revenue:			
Administrative revenue	168.0	168.0	168.0
Other revenue	1.5	2.8	8.5
	<u>8,097.9</u>	<u>8,555.1</u>	<u>2,932.7</u>
Expenses:			
Import and export promotional programs	<u>2,567.7</u>	<u>3,010.5</u>	<u>2,443.7</u>
	5,530.2	5,544.6	489.0
Net Assets, Beginning of Year	<u>9,231.9</u>	<u>3,687.3</u>	<u>3,198.3</u>
Net Assets, End of Year	<u>\$ 14,762.1</u>	<u>\$ 9,231.9</u>	<u>\$ 3,687.3</u>

Grant revenue decreased significantly primarily due to a 2009 federal port security grant.

The Authority will use future proceeds from its Tea-21 grant, additional federal grants, and future State of Michigan matches to complete a new public dock and terminal facility to further waterfront development and tourism. This project is under construction, is planned for completion by the end of 2010, and will further increase the Authority's waterfront presence.

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

September 30, 2010 and 2009

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 Authority's dependency on tax-based funding to meet administrative expenses. Under the Port of Detroit project, the Authority acquired the Detroit Marine Terminal's property at the foot of Clark Street and Jefferson in Detroit and entered into an operating agreement with a new company in July 2005. In the project's first four years of operation, activity at the Port of Detroit has returned to historical levels, but there has been an impact from the recession. This milestone to implement those plans and projects will 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 was taken in August 2004, and construction began in November 2005. The project is scheduled for completion by the end of 2010 and that it will be available for the 2011 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.

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 more than \$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 current economic downturn will likely affect cargo terminal revenue in 2011. The dependency 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.

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, 2010 and 2009

	Governmental Activities	
	2010	2009
Assets:		
Cash	\$ 533,195	\$ 545,881
Accounts receivable (no allowance considered necessary)	274,218	199,348
Prepaid expenses	15,106	16,746
Deposits	13,000	13,000
Capital assets (Note C):		
Nondepreciable capital assets	15,835,903	10,049,425
Depreciable capital assets, net	795,017	814,767
Total Assets	17,466,439	11,639,167
Liabilities:		
Accounts payable	235,497	169,796
Accrued expenses	156,423	158,169
Deferred revenue	187,500	-0-
Long-term liabilities (Note D):		
Due or expected to be paid within one year	123,535	140,350
Due or expected to be paid in more than one year	2,001,344	1,938,997
Total Liabilities	2,704,299	2,407,312
Net Assets:		
Invested in capital assets, net of related debt	14,506,041	8,784,845
Unrestricted	256,099	447,010
Total Net Assets	\$ 14,762,140	\$ 9,231,855

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2010 and 2009

	Governmental Activities	
	2010	2009
Expenses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 913,296	\$ 944,333
Contractual and professional services	36,838	110,645
Facility operations and maintenance	67,539	68,340
Office expenses	61,044	68,788
Site reclamation and redevelopment	1,234,446	1,501,573
Travel and automotive expenses	35,679	99,799
Conferences, dues, and subscriptions	26,139	60,886
Marketing and promotion	13,887	24,607
Interest expense	153,732	106,476
Depreciation (Note C)	25,114	25,028
	2,567,714	3,010,475
Program Revenue:		
Contracts and grants (Note F)	2,116,852	3,119,284
Noncash contributions	5,786,478	5,239,957
Project development and administration	25,000	25,000
	7,928,330	8,384,241
	5,360,616	5,373,766
General Revenue:		
Administrative revenue (Note B)	168,000	168,000
Interest income	1,669	2,772
Miscellaneous income	-0-	27
	169,669	170,799
	5,530,285	5,544,565
Net Assets, Beginning of Year	9,231,855	3,687,290
	\$ 14,762,140	\$ 9,231,855

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

September 30, 2010 and 2009

	<u>Operating Fund</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 533,195	\$ 545,881
Accounts receivable (no allowance considered necessary)	274,218	199,348
Prepaid expenditures	15,106	16,746
Deposits	13,000	13,000
Total Assets	<u>\$ 835,519</u>	<u>\$ 774,975</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 235,497	\$ 169,796
Accrued expenses	102,046	83,267
Deferred revenue	187,500	-0-
Total Liabilities	<u>525,043</u>	<u>253,063</u>
Fund Balance:		
Unreserved	310,476	521,912
Total Liabilities and Fund Balance	<u>\$ 835,519</u>	<u>\$ 774,975</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET ASSETS

September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Total Fund Balance, Governmental Funds	\$ 310,476	\$ 521,912
<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	15,835,903	10,049,425
Depreciable capital assets:		
Cost	1,010,051	1,004,687
Less: Accumulated depreciation	(215,034)	(189,920)
<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	(2,124,879)	(2,079,347)
Accrued payroll	(54,377)	(74,902)
	<u> </u>	<u> </u>
Total Net Assets, Governmental Activities	<u><u>\$ 14,762,140</u></u>	<u><u>\$ 9,231,855</u></u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

	Operating Fund	
	2010	2009
Revenue:		
Contracts and grants (Note F)	\$ 2,116,852	\$ 3,119,284
Noncash contributions	5,786,478	5,239,957
Administrative revenue (Note B)	168,000	168,000
Project development and administration	25,000	25,000
Interest income	1,669	2,772
Miscellaneous income	-0-	27
Total Revenue	8,097,999	8,555,040
Expenditures:		
Current:		
Salaries, wages, and employee benefits	933,821	942,853
Contractual and professional services	36,838	110,645
Facility operations and maintenance	67,539	68,340
Office expenses	61,044	68,788
Site reclamation and redevelopment	1,234,446	1,501,573
Travel and automotive expenses	35,679	99,799
Conferences, dues, and subscriptions	26,139	60,886
Marketing and promotion	13,887	24,607
Interest expense	153,732	106,476
Debt service (Note D)	4,668	20,142
Capital outlay (Note C)	5,791,842	5,420,546
Total Expenditures	8,359,635	8,424,655
Excess (Deficiency) of Revenue over Expenditures	(261,636)	130,385
Other Financing Sources:		
Additions to note payable (Note C)	50,200	21,746
Net Increase (Decrease) in Fund Balance	(211,436)	152,131
Fund Balance, Beginning of Year	521,912	369,781
Fund Balance, End of Year	\$ 310,476	\$ 521,912

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Net Increase (Decrease) in Fund Balance, Governmental Funds	\$ (211,436)	\$ 152,131
<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 balance 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	5,791,842	5,420,546
Less: Depreciation expense	(25,114)	(25,028)
<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 payroll, beginning of year	74,902	73,422
Less: Accrued payroll, end of year	(54,377)	(74,902)
<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	(50,200)	(21,746)
Reductions to note payable	4,668	20,142
	<u> </u>	<u> </u>
Net Increase in Net Assets, Governmental Activities	<u><u>\$ 5,530,285</u></u>	<u><u>\$ 5,544,565</u></u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010 and 2009

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 balance 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 balance, revenue, and expenditures. The various funds are summarized by type in the fund financial statements. The following fund is 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, and other income not directly associated with program services provided is 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.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Cash Deposits (continued)**

As of September 30, 2010 and 2009, 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>2010</u>	<u>2009</u>
Carrying amount of deposits	\$ 533,195	\$ 545,881
Total bank balances	<u>\$ 830,483</u>	<u>\$ 686,106</u>
Uninsured and uncollateralized bank balances	<u>\$ 330,462</u>	<u>\$ 208,799</u>

Concentration of Credit Risk

During the year ended September 30, 2010, the Authority made purchases from four vendors of \$1,048,790, or approximately 61.6 percent of total purchases. The total amount due to these vendors was \$123,838 as of September 30, 2010.

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 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, 2010 and 2009 because none of the five specified events have occurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

NOTE A - 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 is reported in the government-wide financial statements.

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, 2010 and 2009. A balance of \$14,000 and \$-0- was receivable from GDFTZ as of September 30, 2010 and 2009, respectively.

NOTE C - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended September 30, 2010 and 2009 is as follows:

	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance, October 1, 2008	\$ 3,976,940	\$ 651,502	\$ 4,628,442
Acquisitions		5,420,983	5,420,983
Balance, September 30, 2009	3,976,940	6,072,485	10,049,425
Acquisitions		5,786,478	5,786,478
Balance, September 30, 2010	<u>\$ 3,976,940</u>	<u>\$ 11,858,963</u>	<u>\$ 15,835,903</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

NOTE C - CAPITAL ASSETS (CONTINUED)

Depreciable capital asset activity for the years ended September 30, 2010 and 2009 is as follows:

	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost:				
Balance, October 1, 2008	\$ 903,917	\$ 44,241	\$ 58,043	\$ 1,006,201
Less: Dispositions		(1,514)		(1,514)
Balance, September 30, 2009	903,917	42,727	58,043	1,004,687
Acquisitions		5,364		5,364
Balance, September 30, 2010	<u>\$ 903,917</u>	<u>\$ 48,091</u>	<u>\$ 58,043</u>	<u>\$ 1,010,051</u>
Accumulated Depreciation:				
Balance, October 1, 2008	\$ 68,954	\$ 39,803	\$ 57,212	\$ 165,969
Depreciation expense	23,177	1,649	202	25,028
Less: Dispositions		(1,077)		(1,077)
Balance, September 30, 2009	92,131	40,375	57,414	189,920
Depreciation expense	23,177	1,735	202	25,114
Balance, September 30, 2010	<u>\$ 115,308</u>	<u>\$ 42,110</u>	<u>\$ 57,616</u>	<u>\$ 215,034</u>
Net Depreciable Capital Assets:				
Balance, September 30, 2009	<u>\$ 811,786</u>	<u>\$ 2,352</u>	<u>\$ 629</u>	<u>\$ 814,767</u>
Balance, September 30, 2010	<u><u>\$ 788,609</u></u>	<u><u>\$ 5,981</u></u>	<u><u>\$ 427</u></u>	<u><u>\$ 795,017</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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**September 30, 2010 and 2009****NOTE D - LONG-TERM LIABILITIES (CONTINUED)**

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 rates that have been charged as of September 30, 2010 and 2009 were 6.00 percent and 5.32 percent, respectively. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement

Long-term liability activity for the years ended September 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Balance, beginning of year	\$ 2,079,347	\$ 2,077,743
Additions	50,200	21,746
Less: Reductions	<u>(4,668)</u>	<u>(20,142)</u>
Balance, End of Year	<u>\$ 2,124,879</u>	<u>\$ 2,079,347</u>
Amounts due within one year	<u>\$ 123,535</u>	<u>\$ 140,350</u>

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2010:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending September 30:			
2011	\$ 123,535	\$ 126,465	\$ 250,000
2012	130,874	119,126	250,000
2013	139,042	110,958	250,000
2014	147,719	102,281	250,000
2015	156,938	93,062	250,000
2016-2020	944,420	305,580	1,250,000
2021	<u>482,351</u>	<u>28,262</u>	<u>510,613</u>
	<u>\$ 2,124,879</u>	<u>\$ 885,734</u>	<u>\$ 3,010,613</u>

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, 2010, 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

NOTE E - LEASES

The Authority leases a building for office space and a copier under operating leases. Effective January 1, 2010, the building lease was amended as a month-to-month lease, with the ability of either the Authority or the lessor to terminate the lease at any time with 30 days' notice. The copier lease expires in 2013.

The following is a schedule by year of future minimum lease payments under noncancelable operating leases as of September 30, 2010:

For the Year Ending September 30:	
2011	\$ 3,397
2012	3,397
2013	<u>2,548</u>
	<u>\$ 9,342</u>

Rental expense under operating leases for the years ended September 30, 2010 and 2009 was \$69,397 for each year.

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, 2010 and 2009

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 a building that will be owned by the Authority upon its completion, 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 \$1,599,583 in reimbursement grants in 2009 from the U.S. Department of Homeland Security for the purpose of purchasing patrol boats to protect critical port infrastructure from terrorism. 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.

Economic Adjustment Assistance Grant

The Authority received a \$50,000 economic adjustment assistance grant from the U.S. Department of Commerce to provide funding for the development of the Authority's strategic plan. The Authority provides status reports on a quarterly basis.

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 Piquette Building in midtown Detroit on June 16, 2009. The contract is through June 16, 2011.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

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. These funds were made available under the American Recovery and Reinvestment Act of 2009.

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. During the years ended September 30, 2010 and 2009, the Authority received \$107,244 and \$104,156, respectively, which were recorded as contract revenue.

Total contract and grant revenue is summarized as follows:

	<u>2010</u>	<u>2009</u>
State of Michigan	\$ 468,200	\$ 500,000
County of Wayne	315,000	315,000
City of Detroit	250,000	250,000
Federal highway grant	16,683	362,062
Port security grants	424,869	1,001,728
Brownfield grant	229,551	220,909
Economic adjustment assistance grant	-0-	22,802
MDEQ brownfield redevelopment grant	26,136	342,627
MDEQ Clean Diesel grant	279,169	-0-
Ambassador port revenue	107,244	104,156
	<u>\$ 2,116,852</u>	<u>\$ 3,119,284</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2010 and 2009

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 operating 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.

During the year ended September 30, 2010, the Authority incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Salaries, wages, and employee benefits	\$ 931,620	\$ 933,821	\$ (2,201)
Site reclamation and redevelopment	-0-	1,234,446	(1,234,446)
Interest expense	-0-	153,732	(153,732)

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 Governmental Accounting Standards Board has issued Statement of Governmental Accounting Standards (“SGAS”) No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” 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. SGAS No. 54 applies to the Authority’s financial statements for the year ending September 30, 2011. The Authority has not determined the impact, if any, on its financial statements of implementing SGAS No. 54.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

	2010			2009			Positive (Negative) Variance with Final Budget
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenue:							
Contracts and grants	\$ 1,033,200	\$ 1,033,200	\$ 2,116,852	\$ 1,065,000	\$ 1,065,000	\$ 3,119,284	\$ 2,054,284
Noncash contributions			5,786,478			5,239,957	5,239,957
Administrative revenue	168,000	168,000	168,000	168,000	168,000	168,000	-0-
Project development and administration	25,000	25,000	25,000	25,000	25,000	25,000	-0-
Interest income	5,200	5,200	1,669	5,652	2,284	2,772	488
Miscellaneous income			-0-			27	27
Total Revenue	1,231,400	1,231,400	8,097,999	1,263,652	1,260,284	8,555,040	7,294,756
Expenditures:							
Current:							
Salaries, wages, and employee benefits	931,620	931,620	933,821	931,622	927,574	942,853	(15,279)
Contractual and professional services	52,700	52,700	36,838	39,050	52,265	110,645	(58,380)
Facility operations and maintenance	74,960	74,960	67,539	68,160	68,128	68,340	(212)
Office expenses	69,320	69,320	61,044	72,820	78,857	68,788	10,069
Site reclamation and redevelopment			1,234,446			1,501,573	(1,501,573)
Travel and automotive expenses	56,200	56,200	35,679	70,200	96,712	99,799	(3,087)
Conferences, dues, and subscriptions	29,250	29,250	26,139	52,250	67,509	60,886	6,623
Marketing and promotion	17,350	17,350	13,887	29,550	26,911	24,607	2,304
Interest expense			153,732			106,476	(106,476)
Debt service			4,668			20,142	(20,142)
Capital outlay			5,791,842			5,420,546	(5,420,546)
Total Expenditures	1,231,400	1,231,400	8,359,635	1,263,652	1,317,956	8,424,655	(7,106,699)
Excess (Deficiency) of Revenue over Expenditures	-0-	-0-	(261,636)	-0-	(57,672)	130,385	188,057
Other Financing Sources:							
Additions to note payable			50,200			21,746	21,746
Net Increase (Decrease) in Fund Balance	\$ -0-	\$ -0-	\$ (211,436)	\$ -0-	\$ (57,672)	\$ 152,131	\$ 209,803

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

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

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 operating 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.

DETROIT/WAYNE COUNTY
PORT AUTHORITY

SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND
RELATED AUDIT REPORTS

For the Year Ended
September 30, 2010

George Johnson
& Company

DETROIT/WAYNE COUNTY PORT AUTHORITY

CONTENTS

INDEPENDENT AUDITORS' REPORTS:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters	1
Report on Compliance with Requirements Applicable to Each Major Program, on Internal Control over Compliance, and on Schedules of Expenditures of Federal Awards	3
Schedule of Findings and Questioned Costs	6
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	7
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	8

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

February 23, 2011

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

We have audited the financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the year ended, September 30, 2010, which collectively comprise the Authority's basic financial statements, and we have issued our report thereon dated February 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS (CONTINUED)

Compliance and Other Matters

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

We noted certain matters that we reported to the Authority's management in a separate letter dated February 23, 2011.

This report is intended solely for the information and use of management, the Board of Directors, others within the Authority, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE, AND ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS**

February 23, 2011

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

Compliance

We have audited the compliance of the Detroit/Wayne County Port Authority (the "Authority") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2010. The Authority's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Internal Control over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and each major fund of the Authority as of, and for the year ended, September 30, 2010, and we have issued our report thereon dated February 23, 2011. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Schedule of Expenditures of Federal Awards (continued)

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Directors, others within the Authority, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.


CERTIFIED PUBLIC ACCOUNTANTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2010

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Detroit/Wayne County Port Authority (the "Authority").
2. No significant deficiencies relating to the audit of the financial statements is reported in the independent auditors' report on internal control over financial reporting and on compliance and other matters.
3. No instances of noncompliance material to the financial statements of the Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the independent auditors' report on compliance with requirements applicable to each major program, on internal control over compliance, and on the schedules of expenditures of federal awards.
5. The auditors' report on compliance for the major federal award programs for the Authority expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for the Authority.
7. The programs tested as major programs are as follows:

<u>Program Name</u>	<u>CFDA Number</u>
Highway Planning and Construction	20.205
ARRA - Clean Diesel Grant	66.040

8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Authority was determined to be a low-risk auditee.

FINANCIAL STATEMENT AUDIT FINDINGS

None

MAJOR FEDERAL AWARD PROGRAM AUDIT FINDINGS AND QUESTIONED COSTS

None

DETROIT/WAYNE COUNTY PORT AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2010

<u>Program Title</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Federal Expenditures</u>
<u>Major Programs</u>				
U.S. Department of Transportation: Passed through Michigan Department of Transportation: Highway Planning and Construction (Note B)	20.205	2004-0279	10/1/09-9/30/10	\$ 5,825,086
U.S. Environmental Protection Agency: Passed through Michigan Department of Environmental Quality: ARRA - Clean Diesel Grant	66.040	2D-00E83601-0	11/25/09-12/31/10	<u>277,718</u>
Total Major Programs				<u>6,102,804</u>
<u>Other Federal Awards</u>				
U.S. Environmental Protection Agency: Direct: Brownfield Assessment	66.818	BF-96550501	9/1/06-9/30/10	224,359
U.S. Department of Homeland Security: Direct: Port Security Grant	97.056	2007-GB-T7-0333	10/1/07-3/31/11	386,197
Port Security Grant	97.056	2008-GB-T6-K011	10/1/08-7/31/11	290,847
U.S. Department of Commerce: Passed through Michigan Department of Environmental Quality: Hydro-Kinetic Energy Project	11.419	08E-1.01	1/1/08-9/30/10	<u>3,000</u>
Total Other Federal Awards				<u>904,403</u>
Total Federal Expenditures				<u>\$ 7,007,207</u>

See notes to schedules of expenditures of federal awards.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs of the Detroit/Wayne County Port Authority (the "Authority"). Federal awards received directly from federal agencies, as well as federal awards passed through other agencies, are included on this schedule.

Basis of Presentation

The information in the accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because this schedule presents only a selected portion of the Authority's operations, it is not intended to, and does not, present the financial position or changes in financial position of the Authority.

Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for State, Local, and Indian Tribal Governments*, in which certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE B - NONCASH CONTRIBUTIONS

Under the Highway Planning and Construction grant from the Michigan Department of Transportation ("MDOT"), a public dock and terminal facility is being constructed on specific properties. Certain expenditures for the construction of a building that will be owned by the Authority upon its completion, including expenditures for land development and improvements, have been paid directly to construction contractors by MDOT. Federal expenditures reported on the accompanying schedule of expenditures of federal awards include noncash expenditures of \$5,786,478 for the year ended September 30, 2010 that were paid directly by MDOT.