

DETROIT/WAYNE COUNTY PORT AUTHORITY

FINANCIAL STATEMENTS
(With Required Supplementary Information)

September 30, 2015 and 2014



DETROIT/WAYNE COUNTY PORT AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

August 11, 2016

To the Board of Directors
Detroit/Wayne County Port Authority

Report on the Financial Statements

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, 2015 and 2014, as well as the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions

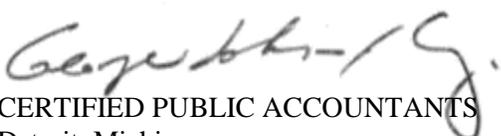
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2015 and 2014, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 and budgetary comparison on pages 31 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated August 11, 2016, on our consideration of the Authority's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS
Detroit, Michigan

MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2015 and 2014

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, 2015 and 2014. Please read it in conjunction with the Authority’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Operational funding remained the same during the year ended September 30, 2015; however, due to a change in the way the U.S. Department of Homeland Security (“DHS”) administers the Port Security Grant Program, grant revenue continued to decrease. The decline in grant dollars is primarily related to the Environmental Protection Agency (“EPA”) Brownfield Revolving Loan Funds (“RLF”) being close to fully drawn at the beginning of the year, while the DHS award was down to \$130,000 for the year ended September 30, 2015. That said, the Authority was also awarded a \$500,000 supplemental RLF grant during the fiscal year, along with a new \$800,000 RLF grant in conjunction with the Detroit Economic Growth Corporation for the next fiscal year.

Key successes for the Authority for the fiscal year ending September 30, 2015 include the following:

- The Authority’s operating funding remained in line with the previous year. Wayne County (the “County”) provided \$250,000, the City of Detroit (the “City”) provided \$250,000, and the State of Michigan provided a match of \$468,200, a slight increase from the previous year.
- In 2012, the Authority was awarded a \$1,000,000 EPA RLF grant to assist with brownfield cleanup within the County. Cardinal Health, in conjunction with Henry Ford Hospital, was awarded \$915,000 in the form of a loan to go towards the construction of a state-of-the-art medical supply warehouse. As of the end of the fiscal year, the funds were totally disbursed.
- In 2015, the Authority was awarded a supplemental \$500,000 EPA RLF grant to assist with brownfield cleanups in the City and County. Potential candidate awardees are Henry Ford Health System and Rock Ventures.
- In 2015, the Authority closed out its responsibilities as a fiduciary agent for the DHS Port Security Grant Program, distributed to the Port of Detroit (the “Port”) by the DHS. The Port received and disbursed \$130,000 in funding during the year. However, in 2014, the DHS changed its policy regarding fiduciary agents, and grants are now administered directly to the awardees.
- The Port building events have received approximately \$192,000 in event rental income for the year ended September 30, 2015, up 38 percent from the previous year. For the year ending September 30, 2016, the Waterview Lofts expect another increase in event revenue.

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

September 30, 2015 and 2014

FINANCIAL HIGHLIGHTS (CONTINUED)

- The Authority's public dock generated approximately \$18,000 in income, with a total of 33 visits for the year. Despite only one cruise ship visit in 2015, docking income remains stable.
- The Ambassador Port Company note saw a reduction of over \$33,000 from the beginning of the year, which is the lowest balance since December 31, 2011. However, the note balance is currently close to \$54,000 over the original note balance of \$2,103,000 back in 2005.
- The Authority, in a partnership with City and the County, has successfully awarded \$600,000 in EPA brownfield assessment grants. These funds are used to assess environmental cleanup costs in the City and across the County.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net position 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. The statements of net position include all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 position and how they have changed. Net position represents the difference between the Authority's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and they represent one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's net position 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.

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

September 30, 2015 and 2014

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**Fund Financial Statements (continued)**

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 31.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

Table 1 reflects the condensed statements of net position as of September 30, 2015, 2014, and 2013:

Table 1
Statements of Net Position
September 30, 2015, 2014, and 2013
(in thousands of dollars)

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>	<u>2013</u>
Assets:			
Cash	\$ 544.9	\$ 340.2	\$ 255.9
Accounts receivable	98.5	109.8	78.7
Capital assets	22,774.6	23,445.7	24,047.6
Loan receivable	915.0	815.3	-0-
Other assets	14.9	11.2	7.8
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 24,347.9</u>	<u>\$ 24,722.2</u>	<u>\$ 24,390.0</u>

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

September 30, 2015 and 2014

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 1
Statements of Net Position (continued)
September 30, 2015, 2014, and 2013
(in thousands of dollars)

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>	<u>2013</u>
Liabilities:			
Long-term liabilities	\$ 2,002.1	\$ 2,062.4	\$ 2,025.1
Other liabilities	379.9	401.9	334.5
Total Liabilities	<u>2,382.0</u>	<u>2,464.3</u>	<u>2,359.6</u>
Net Position:			
Net investment in capital assets	20,617.7	21,180.6	21,885.4
Unrestricted	1,348.2	1,077.3	145.0
Total Net Position	<u>\$ 21,965.9</u>	<u>\$ 22,257.9</u>	<u>\$ 22,030.4</u>

Accounts receivable balances are reviewed for collectability and are written off as necessary. As of September 30, 2015, the Authority wrote off just over \$14,000 in uncollectible receivables. The majority of the write-off was from the Detroit Wayne County Port Foundation, which is currently insolvent. As of September 30, 2014 and 2013, no allowance was considered necessary. Accounts receivable collections are typically made within 30 days.

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

September 30, 2015 and 2014

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

Table 2 reflects the condensed statements of activities for the years ended September 30, 2015, 2014, and 2013:

Table 2
Statements of Activities
For the Years Ended September 30, 2015, 2014, and 2013
(in thousands of dollars)

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>	<u>2013</u>
Revenue:			
Program revenue:			
Contracts and grants	\$ 1,360.9	\$ 2,201.0	\$ 3,721.1
Noncash contributions	-0-	-0-	53.6
General revenue:			
Administrative revenue	-0-	-0-	128.0
Other revenue	255.9	195.1	148.2
	<u>1,616.8</u>	<u>2,396.1</u>	<u>4,050.9</u>
Expenses:			
Import and export promotional programs	1,908.8	2,168.6	3,707.6
	<u>(292.0)</u>	<u>227.5</u>	<u>343.3</u>
Net Increase (Decrease) in Net Position			
	<u>22,257.9</u>	<u>22,030.4</u>	<u>21,687.1</u>
Net Position, End of Year	<u><u>\$ 21,965.9</u></u>	<u><u>\$ 22,257.9</u></u>	<u><u>\$ 22,030.4</u></u>

As a result of administrative changes at the DHS, as mentioned earlier, grant revenue declined for the second year in a row. The DHS Port Security Grant Program awards were \$130,000 for the year ended September 30, 2015, down from \$300,000 in the previous year. Due to the majority of the EPA RLF being drawn in the previous year, the EPA RLF balance was down to just over \$99,000 as of September 30, 2015; however, there still exists a \$500,000 supplemental RLF grant that has yet to be awarded.

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

September 30, 2015 and 2014

ECONOMIC FACTORS

2015 was a stable year, with the Authority being close to fully funded. Staffing levels and the Board of Directors remain intact. The Authority experienced increases in funding, building events, and project income during the year.

Project income was a new line item this year; this income was derived from the Grand Prix water taxi, which transported Grand Prix attendees round-trip from the Authority's office to Belle Isle for the race.

The Authority's public dock and terminal building was very active during the year, generating just over \$210,000 in revenue for the year for the first time since the facility opened in 2011. The building rentals were up 38 percent over the previous year, with revenue totaling just over \$192,000 during the year ended September 30, 2015, up from approximately \$139,000 during the year ended September 30, 2014.

The Authority's management of the EPA RLF program has continued to be the largest program for the last two years. This program is to assist with brownfield cleanup throughout the City and the County. The first EPA revolving loan was awarded to Kirco Development, which was used to develop the Cardinal Health Distribution Center, which is affiliated with Henry Ford Hospital, in Detroit. The loan totaled \$915,000 and was distributed over two years, with repayment starting in December 2015. In the summer of 2015, the Authority was awarded another \$500,000 in a supplemental EPA RLF grant.

Operating funding for the year ended September 30, 2015 increased five percent to approximately \$968,000, up from approximately \$924,000 in the previous year. This increase was due to the City restoring the Authority's funding back to \$250,000, up from approximately \$228,000 during the year ended September 30, 2014. In turn, the State of Michigan increased funding from approximately \$446,000 during the year ended September 30, 2014 to \$468,200 during the year ended September 30, 2015.

In September 2015, the Authority was awarded a \$2,000,000 Brownfield loan from the Michigan Department of Environmental Quality ("MDEQ") for the Ferrous Steel project, for which the Authority will serve as management and administrator for the funds. The MDEQ has allowed the loan repayment to be deferred until 2021.

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

September 30, 2015 and 2014

ECONOMIC FACTORS (CONTINUED)

Revenue generated during the year ended September 30, 2015 from the Authority's Master Concession Agreement with the Ambassador Port Company was up 59 percent to approximately \$166,000 for the year. Nicholson Terminal had its busiest year since 2007. The resulting increase in revenue was due to an increase in the amount of steel and manufacturing equipment delivered. The payments during the year ended September 30, 2015 reduced the debt by \$33,128 to a balance of \$2,156,912. However, the current promissory note is approximately \$54,000 over the original loan amount. The Authority continues to explore all options to find a solution to solving the note amortization issue.

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 POSITION

September 30, 2015 and 2014

	Governmental Activities	
	2015	2014 (Restated)
Assets:		
Cash	\$ 544,868	\$ 340,228
Accounts receivable (no allowance considered necessary)	98,533	109,804
Prepaid expenses	14,877	11,221
Loan receivable (Note C)	915,000	815,269
Capital assets (Note D):		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets, net	18,797,694	19,468,696
Total Assets	24,347,912	24,722,158
Liabilities:		
Accounts payable	193,051	183,235
Accrued expenses	31,982	16,016
Long-term liabilities (Note E):		
Due or expected to be paid within one year	154,811	202,683
Due or expected to be paid in more than one year	2,002,143	2,062,357
Total Liabilities	2,381,987	2,464,291
Net Position:		
Net investment in capital assets	20,617,680	21,180,596
Unrestricted	1,348,245	1,077,271
Total Net Position	\$ 21,965,925	\$ 22,257,867

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2015 and 2014

	Governmental Activities	
	2015	2014 (Restated)
Expenses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 489,244	\$ 526,274
Contractual and professional services	163,431	176,968
Facility operations	58,056	90,823
Facility maintenance	70,462	75,726
Office expenses	71,671	70,861
Travel and meetings	20,415	18,732
Conferences, dues, and subscriptions	22,074	13,037
Marketing and promotion	20,430	33,355
Economic development	32,409	32,315
Site reclamation and redevelopment	133,022	321,383
Bad debt expense	14,134	-0-
Interest expense	134,476	132,529
Depreciation (Note D)	678,990	676,564
	1,908,814	2,168,567
Program Revenue:		
Contracts and grants (Note G)	1,360,966	2,200,988
	(547,848)	32,421
General Revenue:		
Miscellaneous income	255,906	195,053
	(291,942)	227,474
Net Position, Beginning of Year	22,257,867	22,030,393
Net Position, End of Year	\$ 21,965,925	\$ 22,257,867

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

September 30, 2015 and 2014

	<u>General Fund</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 544,868	\$ 340,228
Accounts receivable (no allowance considered necessary)	98,533	109,804
Prepaid expenditures	14,877	11,221
Total Assets	<u>\$ 658,278</u>	<u>\$ 461,253</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 193,051	\$ 183,235
Accrued expenses	23,839	15,093
Total Liabilities	<u>216,890</u>	<u>198,328</u>
Fund Balances:		
Nonspendable	14,877	11,221
Unassigned	426,511	251,704
Total Fund Balances	<u>441,388</u>	<u>262,925</u>
Total Liabilities and Fund Balances	<u>\$ 658,278</u>	<u>\$ 461,253</u>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION

September 30, 2015 and 2014

	<u>2015</u>	<u>2014 (Restated)</u>
Total Fund Balances, Governmental Funds	\$ 441,388	\$ 262,925
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Certain assets are not due and receivable in the current period and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Loan receivable	915,000	815,269
<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	3,976,940
Depreciable capital assets:		
Cost	21,774,120	21,766,132
Less: Accumulated depreciation	(2,976,426)	(2,297,436)
<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>		
Loans payable	(2,156,954)	(2,265,040)
Accrued vacation pay	(8,143)	(923)
	<u> </u>	<u> </u>
Total Net Position, Governmental Activities	<u>\$ 21,965,925</u>	<u>\$ 22,257,867</u>

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, 2015 and 2014

	<u>General Fund</u>	
	<u>2015</u>	<u>2014 (Restated)</u>
Revenue:		
Contracts and grants (Note G)	\$ 1,360,966	\$ 2,200,988
Miscellaneous income	255,906	195,053
	<u>1,616,872</u>	<u>2,396,041</u>
Expenditures:		
Current:		
Salaries, wages, and employee benefits	482,024	529,653
Contractual and professional services	163,431	176,968
Facility operations	58,056	90,823
Facility maintenance	70,462	75,726
Office expenses	71,671	70,861
Travel and meetings	20,415	18,732
Conferences, dues, and subscriptions	22,074	13,037
Marketing and promotion	20,430	33,355
Economic development	32,409	32,315
Site reclamation and redevelopment	133,022	321,383
Bad debt expense	14,134	-0-
Interest expense	134,476	132,529
Debt service (Note E)	135,445	2,426
Capital outlay (Note D)	7,988	74,589
	<u>1,366,037</u>	<u>1,572,397</u>
Excess of Revenue over Expenditures	250,835	823,644
Other Financing Sources (Uses):		
Issuance of loan receivable proceeds (Note C)	(99,731)	(815,269)
Issuance of loan payable proceeds (Note E)	-0-	75,000
Other additions to loans payable (Note E)	27,359	30,279
	<u>178,463</u>	<u>113,654</u>
Net Increase in Fund Balances	178,463	113,654
Fund Balances, Beginning of Year	262,925	149,271
	<u>262,925</u>	<u>149,271</u>
Fund Balances, End of Year	\$ 441,388	\$ 262,925

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, 2015 and 2014

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Net Increase in Fund Balances, Governmental Funds	\$ 178,463	\$ 113,654
<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>Proceeds issued on the loan receivable are reported as an expenditure in governmental funds, but the additions increase long-term assets in the statements of net position. During the years presented, these amounts are as follows:</p>		
Issuance of loan receivable proceeds	99,731	815,269
<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	7,988	74,589
Less: Depreciation expense	(678,990)	(676,564)
<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	923	4,302
Less: Accrued vacation pay, end of year	(8,143)	(923)
<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 position. During the years presented, these amounts are as follows:</p>		
Issuance of loan payable proceeds	-0-	(75,000)
Other additions to loans payable	(27,359)	(30,279)
Reductions to loans payable	<u>135,445</u>	<u>2,426</u>
Net Increase (Decrease) in Net Position, Governmental Activities	<u>\$ (291,942)</u>	<u>\$ 227,474</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2015 and 2014

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.

Basis of Presentation

The financial statements of the Authority consist of government-wide financial statements, which include the statements of net position 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, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Deferred outflows of resources represent the consumption of net assets by the Authority that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the Authority that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

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

Basis of Presentation (continued)

Fund Financial Statements (continued)

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, 2015 and 2014

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, 2015 and 2014

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).

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, 2015 and 2014 because none of the five specified events have occurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

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

Concentration of Credit Risk

During the years ended September 30, 2015 and 2014, the Authority made purchases from two vendors of \$211,335 and \$815,269, respectively, or approximately 28 percent and 45 percent, respectively, of total purchases. The total amounts due to these vendors were \$5,531 and \$-0- as of September 30, 2015 and 2014, respectively.

Compensated Absences

Vacation time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over a maximum of five 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 accompanying financial statements as of, and for the year ended, September 30, 2014 to conform to classifications used as of, and for the year ended, September 30, 2015.

Prior Period Adjustment

During the year ending September 30, 2015, the Authority's management identified amounts which were disbursed under the Authority's Revolving Loan Fund agreement with the U.S. Environmental Protection Agency ("EPA"). The Authority classified these amounts as expenses during the year ended September 30, 2014, but should have recognized them as assets in the government-wide financial statements and as other financing uses in the fund financial statements. As a result, assets and unrestricted net position were understated by \$815,269. In addition, expenses were overstated in the government-wide financial statements by \$815,269, while other financing uses were understated by \$815,269. The financial statements as of September 30, 2014, and for the year then ended, have been adjusted to correct these errors retrospectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

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

Prior Period Adjustment (continued)

The impact of this prior period adjustment as of September 30, 2014, and for the year then ended, on the Authority's financial statements is as follows:

	Government-Wide Financial Statements		Fund Financial Statements	
	Restated	As Originally Reported	Restated	As Originally Reported
As of September 30, 2014:				
Loan receivable	\$ 815,269	\$ -0-	\$ -0-	\$ -0-
Unrestricted net position, end of year	1,077,271	262,002	-0-	-0-
For the Year Ended September 30, 2014:				
Site reclamation and redevelopment	321,383	1,136,652	321,383	1,136,652
Issuance of loan receivable proceeds	-0-	-0-	815,269	-0-

NOTE B - 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.

As of September 30, 2015 and 2014, the Authority's carrying amount of deposits and bank balances are as follows:

	2015	2014
Carrying amount of deposits	\$ 544,868	\$ 340,228
Total bank balances	\$ 586,212	\$ 361,877
Uninsured and uncollateralized bank balances	\$ 210,986	\$ -0-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE C – LOAN RECEIVABLE

On May 11, 2011, the Authority entered into a grant program agreement with the EPA. The purpose of the program is to issue revolving loans for Brownfield zone cleanup projects. On November 4, 2013, the Authority executed an agreement with Kirco CH Associates, Inc. to borrow funds under the program and to perform site development and cleanup work in accordance with the terms of the program and the agreement with the Authority. Funds totaling \$915,000 were disbursed during the years ended September 30, 2015 and 2014. The note bears interest at a rate of 0.44 percent and is payable in ten equal annual installments.

Loan receivable activity for the years ended September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u> <u>(Restated)</u>
Balance, beginning of year	\$ 815,269	\$ -0-
Additions	99,731	815,269
Balance, End of Year	<u>\$ 915,000</u>	<u>\$ 815,269</u>
Amounts due within one year	<u>\$ 89,699</u>	<u>\$ -0-</u>

NOTE D - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended September 30, 2015 and 2014 is as follows:

	<u>Land</u>
Balance, October 1, 2013	<u>\$ 3,976,940</u>
Balance, September 30, 2014	<u>3,976,940</u>
Balance, September 30, 2015	<u>\$ 3,976,940</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE D - CAPITAL ASSETS (CONTINUED)

Depreciable capital asset activity for the years ended September 30, 2015 and 2014 is as follows:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost:				
Balance, October 1, 2013	\$ 21,427,062	\$ 40,135	\$ 224,346	\$ 21,691,543
Acquisitions	76,870	2,423		79,293
Less: Dispositions	(1,446)	(3,258)		(4,704)
Balance, September 30, 2014	21,502,486	39,300	224,346	21,766,132
Acquisitions		5,948	5,100	11,048
Less: Dispositions		(3,060)		(3,060)
Balance, September 30, 2015	\$ 21,502,486	\$ 42,188	\$ 229,446	\$ 21,774,120
Accumulated Depreciation:				
Balance, October 1, 2013	\$ 1,526,392	\$ 20,764	\$ 73,716	\$ 1,620,872
Depreciation expense	636,402	7,693	32,469	676,564
Balance, September 30, 2014	2,162,794	28,457	106,185	2,297,436
Depreciation expense	638,319	8,008	32,663	678,990
Balance, September 30, 2015	\$ 2,801,113	\$ 36,465	\$ 138,848	\$ 2,976,426
Net Depreciable Capital Assets:				
Balance, September 30, 2014	\$ 19,339,692	\$ 10,843	\$ 118,161	\$ 19,468,696
Balance, September 30, 2015	\$ 18,701,373	\$ 5,723	\$ 90,598	\$ 18,797,694

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE E - LONG-TERM LIABILITIES

Long-term liabilities as of September 30, 2015 and 2014 consist of the following:

Ambassador Port Company

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, 2015 and 2014 was six percent. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement.

Continental Catering

The Authority entered into a loan agreement with Continental Catering (“Continental”) on November 11, 2013 in relation to a reimbursement note for a build-out of the facilities utilized for special events at the Authority. The loan was for \$75,000 at seven percent interest per annum, with a maturity date of November 11, 2015. All accrued interest and outstanding principal are due and payable at maturity.

Long-term liability activity for the years ended September 30, 2015 and 2014 is as follows:

	<u>Ambassador</u>	<u>Continental</u>	<u>Total</u>
Balance, October 1, 2013	\$ 2,162,187	\$ -0-	\$ 2,162,187
Additions	30,279	75,000	105,279
Less: Repayments	(2,426)		(2,426)
Balance, September 30, 2014	2,190,040	75,000	2,265,040
Additions	27,359		27,359
Less: Repayments	(60,487)	(74,958)	(135,445)
Balance, September 30, 2015	\$ 2,156,912	\$ 42	\$ 2,156,954

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE E - LONG-TERM LIABILITIES (CONTINUED)

	<u>Ambassador</u>	<u>Continental</u>	<u>Total</u>
Amounts Due Within One Year:			
September 30, 2014	\$ 145,677	\$ 57,006	\$ 202,683
September 30, 2015	<u>\$ 154,769</u>	<u>\$ 42</u>	<u>\$ 154,811</u>

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2015:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending September 30:			
2016	\$ 154,811	\$ 95,231	\$ 250,042
2017	164,428	85,572	250,000
2018	174,690	75,310	250,000
2019	185,592	64,408	250,000
2020	197,175	52,825	250,000
2021-2022	<u>1,280,258</u>	<u>48,682</u>	<u>1,328,940</u>
	<u>\$ 2,156,954</u>	<u>\$ 422,028</u>	<u>\$ 2,578,982</u>

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year on the Ambassador note payable will be six percent, which is equal to the effective interest rate as of September 30, 2015, 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 F - LEASES

The Authority leases office equipment under operating leases that expire at various dates through 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE F – LEASES (CONTINUED)

The following is a schedule by year of future minimum lease payments under these leases as of September 30, 2015:

For the Year Ending September 30:	
2016	\$ 4,671
2017	4,269
2018	3,063
2019	3,063
2020	3,063
2021	510
	<hr/>
	<u>\$ 18,639</u>

Rental expense under operating leases for the years ended September 30, 2015 and 2014 was \$5,062 and \$5,097, respectively.

NOTE G - 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 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, 2015 and 2014

NOTE G - CONTRACTS AND GRANTS (CONTINUED)

The Authority has also obtained the following grants:

Port Security Grants

The Authority received a series of reimbursement grant 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 Authority provides status reports on a quarterly basis.

Environmental Protection Agency Revolving Loan Fund Grant

The Authority received a \$1,000,000 grant from the EPA Revolving Loan Fund for environmental site investigations and clean-ups within Wayne County. The Authority issued the funds in 2014 and has applied for an additional \$500,000 in funding from the EPA.

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 is to 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. These payments from Ambassador are recorded as contract revenue.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE G - CONTRACTS AND GRANTS (CONTINUED)

Total contract and grant revenue is summarized as follows:

	<u>2015</u>	<u>2014</u>
State of Michigan	\$ 468,200	\$ 446,043
County of Wayne	250,000	250,000
City of Detroit	250,000	228,192
Port security grants	130,000	302,629
EPA Revolving Loan Fund grant	96,839	869,594
Ambassador port revenue	165,927	104,530
	<u>\$ 1,360,966</u>	<u>\$ 2,200,988</u>

NOTE H - 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 I - 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. The Authority does not budget for site reclamation and redevelopment, bad debt, or interest expenditures as these amounts are not readily estimable. 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, 2015, the Authority incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Conferences, dues, and subscriptions	\$ 20,000	\$ 22,074	\$ (2,074)
Marketing and promotion	20,000	20,430	(430)
Economic development	20,000	32,409	(12,409)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2015 and 2014

NOTE I - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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 J – NEW ACCOUNTING PRONOUNCEMENTS

In February 2015, the Governmental Accounting Standards Board (“GASB”) issued Statement of Governmental Accounting Standards (“SGAS”) No. 72, *Fair Value Measurement and Application*. SGAS No. 72 defines “fair value,” establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SGAS No. 72 applies to the Authority's financial statements for the year ending September 30, 2016. The Authority has not determined the impact, if any, on its financial statements of implementing SGAS No. 72.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2015 and 2014

	2015			2014				
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget (see page 32)	Final Budget	Actual (Restated)	Positive (Negative) Variance with Final Budget
Revenue:								
Contracts and grants	\$ 968,200	\$ 968,200	\$ 1,360,966	\$ 392,766	\$ 469,461	\$ 938,923	\$ 2,200,988	\$ 1,262,065
Miscellaneous income	165,500	165,500	255,906	90,406	75,250	150,500	195,053	44,553
Total Revenue	1,133,700	1,133,700	1,616,872	483,172	544,711	1,089,423	2,396,041	1,306,618
Expenditures:								
Current:								
Expenditures budgeted for:								
Salaries, wages, and employee benefits	530,000	530,000	482,024	47,976	281,500	563,000	529,653	33,347
Contractual and professional services	204,000	204,000	163,431	40,569	101,000	202,000	176,968	25,032
Facility operations	94,000	94,000	58,056	35,944	85,500	90,000	90,823	(823)
Facility maintenance	147,700	147,700	70,462	77,238	77,238	81,000	75,726	5,274
Office expenses	77,000	77,000	71,671	5,329	37,211	68,500	70,861	(2,361)
Travel and meetings	21,000	21,000	20,415	585	8,000	21,923	18,732	3,191
Conferences, dues, and subscriptions	20,000	20,000	22,074	(2,074)	5,000	10,000	13,037	(3,037)
Marketing and promotion	20,000	20,000	20,430	(430)	26,500	10,000	33,355	(23,355)
Economic development	20,000	20,000	32,409	(12,409)		43,000	32,315	10,685
Expenditures not budgeted for:								
Site reclamation and redevelopment			133,022	(133,022)			321,383	(321,383)
Bad debt expense			14,134	(14,134)				-0-
Interest expense			134,476	(134,476)			132,529	(132,529)
Debt service			135,445	(135,445)			2,426	(2,426)
Capital outlay			7,988	(7,988)			74,589	(74,589)
Total Expenditures	1,133,700	1,133,700	1,366,037	(232,337)	544,711	1,089,423	1,572,397	(482,974)
Excess of Revenue over Expenditures	-0-	-0-	250,835	250,835	-0-	-0-	823,644	823,644
Other Financing Sources (Uses):								
Issuance of loan receivable proceeds			(99,731)	(99,731)			(815,269)	(815,269)
Issuance of loan payable proceeds			-0-	-0-			75,000	75,000
Other additions to loans payable			27,359	27,359			30,279	30,279
Net Increase in Fund Balance	\$ -0-	\$ -0-	\$ 178,463	\$ 178,463	\$ -0-	\$ -0-	\$ 113,654	\$ 113,654

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

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

For the Years Ended September 30, 2015 and 2014

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 grant, site reclamation and redevelopment, bad debt, interest, debt service, or capital outlay expenditures as these amounts are not readily estimable. The categories used in the accompanying schedule may differ from those used in reporting to the State of Michigan during the fiscal year.

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.

The original budget presented in the accompanying schedule for the year ended September 30, 2014 covered a period of six months, through March 31, 2014. All other budgets presented in the accompanying schedules covered a period of 12 months.