

DETROIT/WAYNE COUNTY
PORT AUTHORITY

FINANCIAL STATEMENTS

September 30, 2009 and 2008

**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:	
Schedules of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	27
Note to Schedules of Revenue and Expenditures - Budget and Actual - Operating Fund (Unaudited)	28

George Johnson & Company

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

INDEPENDENT AUDITORS' REPORT

February 1, 2010

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, 2009 and 2008, 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, 2009 and 2008, 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 1, 2010, 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 1, 2010
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, 2009 and 2008

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, 2009 and 2008. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The fiscal year ended September 30, 2009 was a period of continuous operational and financial improvements. During the year, revenue increased by 291.7 percent, or almost three times as much as expenses increased, and program expenses increased by 123.2 percent. This was due to direct, non-cash contributions by the Michigan Department of Transportation ("MDOT") for the public dock and terminal grant. As a result, net assets increased by approximately \$5,544,600.

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

- A \$1,600,000 grant was received from the U.S. Department of Homeland Security during the year ended September 30, 2009, following three consecutive years of awards totaling \$4,383,000. The Authority is undertaking a port-wide investment strategy for spending this and future awards.
- The Authority received a \$500,000 Michigan Department of Environmental Quality ("MDEQ") cleanup grant for the Piquette Square project in downtown Detroit, which was also a past recipient of the Authority's Brownfield Assessment grant program.
- Construction of the new public dock and terminal continued, with an anticipated completion in the summer of 2010.
- 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 MDEQ 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.
- A new strategic plan for the Authority was finalized by the Council of Development Finance Agencies through a \$50,000 U.S. Department of Commerce Economic Development Administration grant.

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

September 30, 2009 and 2008

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 27.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**September 30, 2009 and 2008****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects the condensed statements of net assets as of September 30, 2009, 2008, and 2007:

Table 1
Statements of Net Assets
September 30, 2009, 2008, and 2007
(in thousands of dollars)

	<u>2009</u>	<u>2008</u> <u>(Restated)</u>	<u>2007</u>
Assets:			
Cash	\$ 545.9	\$ 625.2	\$ 472.3
Accounts receivable	199.3	389.6	191.5
Capital assets	10,864.2	5,468.7	4,763.9
Other assets	29.8	29.7	30.5
Total Assets	<u>11,639.2</u>	<u>6,513.2</u>	<u>5,458.2</u>
Liabilities:			
Long-term liabilities	1,939.0	1,951.4	1,969.5
Other liabilities	468.3	874.5	290.4
Total Liabilities	<u>2,407.3</u>	<u>2,825.9</u>	<u>2,259.9</u>
Net Assets:			
Invested in capital assets, net of related debt	8,784.8	3,390.9	2,692.4
Unrestricted	447.1	296.4	505.9
Total Net Assets	<u>\$ 9,231.9</u>	<u>\$ 3,687.3</u>	<u>\$ 3,198.3</u>

Accounts receivable balances are reviewed for collectibility and are written off as necessary. As of September 30, 2009, 2008, and 2007, 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, 2009 and 2008****FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects the condensed statements of activities for the years ended September 30, 2009, 2008, and 2007:

Table 2
Statements of Activities
For the Years Ended September 30, 2009, 2008, and 2007
(in thousands of dollars)

	<u>2009</u>	<u>2008</u> <u>(Restated)</u>	<u>2007</u>
Revenue:			
Program revenue:			
Contracts and grants	\$ 3,119.3	\$ 2,557.5	\$ 1,766.2
Noncash contributions	5,240.0	173.7	-0-
Other program revenue	25.0	25.0	25.0
General revenue:			
Administrative revenue	168.0	168.0	168.0
Other revenue	2.8	8.5	112.3
	<u>8,555.1</u>	<u>2,932.7</u>	<u>2,071.5</u>
Expenses:			
Import and export promotional programs	<u>3,010.5</u>	<u>2,443.7</u>	<u>2,083.4</u>
	5,544.6	489.0	(11.9)
Net Assets, Beginning of Year	<u>3,687.3</u>	<u>3,198.3</u>	<u>3,210.2</u>
	\$ 9,231.9	\$ 3,687.3	\$ 3,198.3

Grant revenue increased significantly due to an increase in federal highway grant revenue for the public dock and terminal; this increase was combined with an increase in the Brownfield 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 in mid-2010, and will further increase the Authority's waterfront presence. The Authority recently received a federal grant to construct a dock and wharf at the new terminal site.

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

September 30, 2009 and 2008

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. 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 in mid-2010 so that it will be available for the 2010 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 2010. 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, 2009 and 2008

	Governmental Activities	
	2009	2008 (Restated)
Assets:		
Cash	\$ 545,881	\$ 625,225
Accounts receivable (no allowance considered necessary)	199,348	389,574
Prepaid expenses	16,746	16,773
Deposits	13,000	13,000
Capital assets (Note C):		
Nondepreciable capital assets	10,049,425	4,628,442
Depreciable capital assets, net	814,767	840,232
Total Assets	11,639,167	6,513,246
Liabilities:		
Accounts payable	169,796	102,370
Accrued expenses	158,169	645,843
Long-term liabilities (Note D):		
Due or expected to be paid within one year	140,350	126,317
Due or expected to be paid in more than one year	1,938,997	1,951,426
Total Liabilities	2,407,312	2,825,956
Net Assets:		
Invested in capital assets, net of related debt	8,784,845	3,390,931
Unrestricted	447,010	296,359
Total Net Assets	\$ 9,231,855	\$ 3,687,290

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2009 and 2008

	Governmental Activities	
	2009	2008 (Restated)
Expenses:		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 944,333	\$ 934,190
Contractual and professional services	110,645	35,535
Facility operations and maintenance	68,340	68,071
Office expenses	68,788	80,795
Site reclamation and redevelopment	1,501,573	906,981
Travel and automotive expenses	99,799	130,467
Conferences, dues, and subscriptions	60,886	77,743
Marketing and promotion	24,607	56,978
Interest expense	106,476	128,361
Depreciation (Note C)	25,028	24,627
	3,010,475	2,443,748
Program Revenue:		
Contracts and grants (Note F)	3,119,284	2,557,465
Noncash contributions	5,239,957	173,722
Project development and administration	25,000	25,000
	8,384,241	2,756,187
Net Program Revenue	5,373,766	312,439
General Revenue:		
Administrative revenue (Note B)	168,000	168,000
Interest income	2,772	8,561
Miscellaneous income	27	6
	170,799	176,567
Net Increase in Net Assets	5,544,565	489,006
Net Assets, Beginning of Year (Note A)	3,687,290	3,198,284
Net Assets, End of Year	\$ 9,231,855	\$ 3,687,290

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

September 30, 2009 and 2008

	Operating Fund	
	2009	2008 (Restated)
ASSETS		
Cash	\$ 545,881	\$ 625,225
Accounts receivable (no allowance considered necessary)	199,348	389,574
Prepaid expenditures	16,746	16,773
Deposits	13,000	13,000
Total Assets	\$ 774,975	\$ 1,044,572
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ 169,796	\$ 102,370
Accrued expenses	83,267	572,421
Total Liabilities	253,063	674,791
Fund Balance:		
Unreserved	521,912	369,781
Total Liabilities and Fund Balance	\$ 774,975	\$ 1,044,572

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET ASSETS

September 30, 2009 and 2008

	2009	2008 (Restated)
Total Fund Balance, Governmental Funds	\$ 521,912	\$ 369,781
<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	10,049,425	4,628,442
Depreciable capital assets:		
Cost	1,004,687	1,006,201
Less: Accumulated depreciation	(189,920)	(165,969)
<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	(2,079,347)	(2,077,743)
Accrued payroll	(74,902)	(73,422)
Total Net Assets, Governmental Activities	\$ 9,231,855	\$ 3,687,290

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, 2009 and 2008

	Operating Fund	
	2009	2008 (Restated)
Revenue:		
Contracts and grants (Note F)	\$ 3,119,284	\$ 2,557,465
Noncash contributions	5,239,957	173,722
Administrative revenue (Note B)	168,000	168,000
Project development and administration	25,000	25,000
Interest income	2,772	8,561
Miscellaneous income	27	6
	8,555,040	2,932,754
Expenditures:		
Current:		
Salaries, wages, and employee benefits	942,853	927,447
Contractual and professional services	110,645	35,535
Facility operations and maintenance	68,340	68,071
Office expenses	68,788	80,795
Site reclamation and redevelopment	1,501,573	906,981
Travel and automotive expenses	99,799	130,467
Conferences, dues, and subscriptions	60,886	77,743
Marketing and promotion	24,607	56,978
Interest expense	106,476	128,361
Debt service (Note D)	20,142	21,387
Capital outlay (Note C)	5,420,546	729,359
	8,424,655	3,163,124
Excess (Deficiency) of Revenue over Expenditures	130,385	(230,370)
Other Financing Sources:		
Additions to note payable (Note C)	21,746	27,581
Net Increase (Decrease) in Fund Balance	152,131	(202,789)
Fund Balance, Beginning of Year	369,781	572,570
Fund Balance, End of Year	\$ 521,912	\$ 369,781

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, 2009 and 2008

	2009	2008 (Restated)
Net Increase (Decrease) in Fund Balance, Governmental Funds	\$ 152,131	\$ (202,789)
<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	5,420,546	729,359
Less: Depreciation expense	(25,028)	(24,627)
<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	73,422	66,679
Less: Accrued payroll, end of year	(74,902)	(73,422)
<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	(21,746)	(27,581)
Reductions to note payable	20,142	21,387
Net Increase in Net Assets, Governmental Activities	\$ 5,544,565	\$ 489,006

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

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, 2009 and 2008

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, 2009 and 2008****NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Cash Deposits (continued)**

As of September 30, 2009 and 2008, 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>2009</u>	<u>2008</u>
Carrying amount of deposits	\$ 545,881	\$ 625,225
Total bank balances	<u>\$ 686,106</u>	<u>\$ 661,572</u>
Uninsured and uncollateralized bank balances	<u>\$ 208,799</u>	<u>\$ 461,532</u>

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

The Governmental Accounting Standards Board ("GASB") issued Statement of Governmental Accounting Standards ("SGAS") No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." SGAS No. 49 modifies the accounting and financial reporting for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups. In the event of one of five specified events occurring, the Authority would have to estimate 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. The Authority adopted the requirements of SGAS No. 49 as of October 1, 2008 without a material impact on its financial statements. No pollution remediation obligations have been recorded as of September 30, 2009 because none of the five specified events have occurred.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

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.

Prior Period Adjustments

The Authority's management identified the following during the year ended September 30, 2009:

- Certain costs relating to the construction of the boats reflected as part of construction-in-progress during the year ended September 30, 2008 that were not related to the construction of facilities for the Authority should have been expensed.
- Certain invoices received after September 30, 2008 that related to services received prior to September 30, 2008 were not included in accounts payable as of September 30, 2008.
- Under an agreement between the Authority and the Michigan Department of Transportation ("MDOT"), 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. Such expenditures during the year ended September 30, 2008 should have been included as construction-in-progress in the government-wide financial statements, capital outlay in the fund financial statements, and noncash contributions.

As a result, accounts receivable and accrued expenses were each understated by \$206,658, and nondepreciable capital assets and net assets invested in capital assets were each understated by \$32,061, as of September 30, 2008, while the operating fund balance as of September 30, 2008 was not impacted. In addition, program revenue was understated by \$380,380, and expenses were understated by \$348,319, in the government-wide financial statements for the year ended September 30, 2008, while revenue and expenditures were each understated by \$380,380 in the fund financial statements for the year ended September 30, 2008. The financial statements as of September 30, 2008, and for the year then ended, have been adjusted to correct these errors retrospectively.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Period Adjustments (continued)

The impact of these prior period adjustments as of September 30, 2008, 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, 2008:				
Accounts receivable	\$ 389,574	\$ 182,916	\$ 389,574	\$ 182,916
Nondepreciable capital assets	4,628,442	4,596,381	-0-	-0-
Accrued expenses	645,843	439,185	572,421	365,763
Net assets invested in capital assets, end of year	3,390,931	3,358,870	-0-	-0-
For the Year Ended September 30, 2008:				
Contracts and grants	2,557,465	2,350,807	2,557,465	2,350,807
Noncash contributions	173,722	-0-	173,722	-0-
Site reclamation and redevelopment	906,981	558,662	906,981	558,662
Capital outlay	-0-	-0-	729,359	697,298

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, 2009 and 2008. No balance was receivable from, or payable to, GDFTZ as of September 30, 2009 and 2008.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

NOTE C - CAPITAL ASSETS

Nondepreciable capital asset activity for the years ended September 30, 2009 and 2008 is as follows:

	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance, October 1, 2007	\$ 3,976,940	\$ -0-	\$ 3,976,940
Acquisitions		651,502	651,502
Balance, September 30, 2008 (as Restated) (Note A)	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

Depreciable capital asset activity for the years ended September 30, 2009 and 2008 is as follows:

	<u>Building</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
Cost:				
Balance, October 1, 2007	\$ 826,060	\$ 44,241	\$ 58,043	\$ 928,344
Acquisitions	77,857			77,857
Balance, September 30, 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
Accumulated Depreciation:				
Balance, October 1, 2007	\$ 46,775	\$ 37,557	\$ 57,010	\$ 141,342
Depreciation expense	22,179	2,246	202	24,627
Balance, September 30, 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
Net Depreciable Capital Assets:				
Balance, September 30, 2008	\$ 834,963	\$ 4,438	\$ 831	\$ 840,232
Balance, September 30, 2009	\$ 811,786	\$ 2,352	\$ 629	\$ 814,767

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**September 30, 2009 and 2008****NOTE D - LONG-TERM LIABILITIES**

The Authority entered into a Master Concession Agreement with the Ambassador Port Company (“Ambassador”), which gives Ambassador the right to operate the Authority’s port facilities. In connection with the Master Concession Agreement, the Authority borrowed \$2,103,000 from Ambassador. The related note agreement includes a provision for the possible advance of future amounts by Ambassador for the purpose of paying certain operating and expansion costs of the facilities associated with the Master Concession Agreement.

The note bears interest at a rate defined in the Master Concession Agreement as 300 basis points over the yield to maturity of five-year United States Treasury notes, as published in a respected financial journal. According to the agreement, the interest rate should not be less than six percent; the rates that have been charged, however, as of September 30, 2009 and 2008 were 5.32 and 6.00 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, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 2,077,743	\$ 2,071,549
Additions	21,746	27,581
Less: Reductions	<u>(20,142)</u>	<u>(21,387)</u>
Balance, End of Year	<u>\$ 2,079,347</u>	<u>\$ 2,077,743</u>
Amounts due within one year	<u>\$ 140,350</u>	<u>\$ 126,317</u>

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2009:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
For the Years Ending September 30:			
2010	\$ 140,350	\$ 109,650	\$ 250,000
2011	148,096	101,904	250,000
2012	156,270	93,730	250,000
2013	164,895	85,105	250,000
2014	173,996	76,004	250,000
2015-2019	1,025,084	224,916	1,250,000
2020-2021	<u>270,656</u>	<u>3,357</u>	<u>274,013</u>
	<u>\$ 2,079,347</u>	<u>\$ 694,666</u>	<u>\$ 2,774,013</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

NOTE D - LONG-TERM LIABILITIES (CONTINUED)

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year will be 5.32 percent, which is equal to the effective interest rate as of September 30, 2009, and that the revenue received by the Authority under the relevant sections of the Master Concession Agreement will be \$250,000 each year. Due to the nature of these assumptions and the uncertainties inherent in setting them, it is at least reasonably possible that changes in the near term to these assumptions would be material to the preceding schedule.

NOTE E - LEASES

The Authority leases a building for office space and a copier under operating leases. The building lease has an annual renewal option, with the ability to terminate the lease at any time with two months' notice. The copier lease expires in 2013.

The following is a schedule by year of future minimum lease payments under operating leases as of September 30, 2009:

For the Year Ending September 30:	
2010	\$ 14,397
2011	3,397
2012	3,397
2013	2,548
	<hr/>
	<u>\$ 23,739</u>

Rental expense under operating leases for the years ended September 30, 2009 and 2008 was \$69,397 and \$65,762, respectively.

NOTE F - CONTRACTS AND GRANTS

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

State of Michigan

The Authority's contract with 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

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.

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. Reimbursable costs incurred under this grant for the years ended September 30, 2009 and 2008 have been recorded as grant revenue, and MDOT's direct payments to contractors have been recorded as noncash contributions, in the accompanying financial statements for the years ended September 30, 2009 and 2008.

Port Security Grants

The Authority received \$1,554,102 and \$1,024,815 in reimbursement grants in 2009 and 2006, respectively, 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. Reimbursable costs incurred under these grants for the years ended September 30, 2009 and 2008 have been recorded as grant revenue in the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

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. Reimbursable costs incurred under this grant for the years ended September 30, 2009 and 2008 have been recorded as grant revenue in the accompanying financial statements.

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. Reimbursable costs incurred under this grant for the years ended September 30, 2009 and 2008 have been recorded as grant revenue in the accompanying financial statements.

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. Reimbursable costs incurred under this grant for the year ended September 30, 2009 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, 2009 and 2008, the Authority received \$104,156 and \$121,615, respectively, which were recorded as contract revenue.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

Total contract and grant revenue is summarized as follows:

	<u>2009</u>	<u>2008</u> <u>(Restated)</u>
State of Michigan	\$ 500,000	\$ 500,000
County of Wayne	315,000	315,000
City of Detroit	250,000	250,000
Federal highway grant	362,062	530,637
Port security grant	1,001,728	619,441
Brownfield grant	220,909	195,138
Economic adjustment assistance grant	22,802	25,634
MDEQ brownfield redevelopment grant	342,627	-0-
Ambassador port revenue	104,156	121,615
	<u>\$ 3,119,284</u>	<u>\$ 2,557,465</u>

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.

DETROIT/WAYNE COUNTY PORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

September 30, 2009 and 2008

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

During the year ended September 30, 2009, 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	\$ 927,574	\$ 942,853	\$ (15,279)
Contractual and professional services	52,265	110,645	(58,380)
Facility operations and maintenance	68,128	68,340	(212)
Site reclamation and redevelopment	-0-	1,501,573	(1,501,573)
Travel and automotive expenses	96,712	99,799	(3,087)
Interest expense	-0-	106,476	(106,476)

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

NOTE I - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued 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

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

For the Years Ended September 30, 2009 and 2008

	2009				2008			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual (Restated)	Positive (Negative) Variance with Final Budget
Revenue:								
Contracts and grants	\$ 1,065,000	\$ 1,065,000	\$ 3,119,284	\$ 2,054,284	\$ 1,065,000	\$ 2,557,465	\$ 1,492,465	
Noncash contributions			5,239,957	5,239,957		173,722	173,722	
Administrative revenue	168,000	168,000	168,000	-0-	168,000	168,000	-0-	
Project development and administration	25,000	25,000	25,000	-0-	25,000	25,000	(6)	
Interest income	5,652	2,284	2,772	488	5,659	8,561	-0-	
Miscellaneous income			27	27		6	6	
Total Revenue	1,263,652	1,260,284	8,555,040	7,294,756	1,263,659	1,266,567	2,932,754	1,666,187
Expenditures:								
Current:								
Salaries, wages, and employee benefits	931,622	927,574	942,853	(15,279)	909,605	947,369	927,447	19,922
Contractual and professional services	39,050	52,265	110,645	(58,380)	49,850	34,667	35,535	(868)
Facility operations and maintenance	68,160	68,128	68,340	(212)	62,660	68,071	68,071	-0-
Office expenses	72,820	78,857	68,788	10,069	63,600	62,103	80,795	(18,692)
Site reclamation and redevelopment			1,501,573	(1,501,573)			906,981	(906,981)
Travel and automotive expenses	70,200	96,712	99,799	(3,087)	74,784	130,467	130,467	-0-
Conferences, dues, and subscriptions	52,250	67,509	60,886	6,623	67,800	77,743	77,743	-0-
Marketing and promotion	29,550	26,911	24,607	2,304	35,360	56,978	56,978	-0-
Interest expense			106,476	(106,476)			128,361	(128,361)
Debt service			20,142	(20,142)			21,387	(21,387)
Capital outlay			5,420,546	(5,420,546)			729,359	(729,359)
Total Expenditures	1,263,652	1,317,956	8,424,655	(7,106,699)	1,263,659	1,377,398	3,163,124	(1,785,726)
Excess (Deficiency) of Revenue over Expenditures	-0-	(57,672)	130,385	188,057	-0-	(110,831)	(230,370)	(119,539)
Other Financing Sources:								
Additions to note payable			21,746	21,746			27,581	27,581
Net Increase (Decrease) in Fund Balance	\$ -0-	\$ (57,672)	\$ 152,131	\$ 209,803	\$ -0-	\$ (110,831)	\$ (202,789)	\$ (91,958)

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, 2009 and 2008

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.