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City of Detroit

CITY COUNCIL

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ANNE MARIE LANGAN
DEPUTY DIRECTOR
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TO: W. Steven Olinek, Deputy Director
Detroit/Wayne County Port Authority

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 3, 2011

RE: 2011-2012 Budget Analysis

Attached is our budget analysis regarding your department's budget for the upcoming 2011-2012 Fiscal Year.

We would appreciate a written response to the issues/questions by **Tuesday, May 10, 2011**. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General
Thomas Lijana, Finance Director
Floyd Stanley, Budget Deputy Director
Renee Short, Budget Manager
Denise Gardner, Mayor's Office

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Port Authority / Non-Departmental (35)

FY 2011-2012 Budget Analysis by the Fiscal Analysis Division

Summary

In 1925, the legislature passed Public Act 234, the Port Districts Act, authorizing the creation of Port Districts to spearhead the coordination of regional maritime activities. In 1933, the Detroit Wayne County Port District was established with jurisdiction over the waters and shoreline of Wayne County. As more development began to take place, a stronger need for concentration on port activities arose, resulting in the establishment of the Detroit/Wayne County Port Authority in 1978 through Public Act 639 of 1978.

The first organizational board meeting was held October 10, 1980 and Henry Ford, II served as the first chairman of the Detroit/Wayne County Port Authority board of directors.

The Port Authority has a five-member board of directors with one member appointed by the State of Michigan, two by Wayne County and two by the City of Detroit. Funding for the Port Authority is provided by the State of Michigan, Wayne County and the City of Detroit. Greater Detroit Foreign Trade Zone, Inc. is funded through fees paid by the foreign trade zone general-purpose zones and subzones. The Greater Detroit Foreign Trade Zone, Inc. is a separate non-profit Michigan corporation administered by the Port Authority.

Funding the Operating Budget of the Port Authority

- The Act provides language that sets in place how funding for operations will occur. After the authority submits a detailed budget estimate to the governing bodies of the government units, the state shall provide 50% of the operating budget and the other 50% shall be funded equally by the participating county and city. The Act also has language to provide for the authority to return any surplus funds after a fiscal year ends.

In the current 2010-2011 fiscal year the state provided $468,200, the county provided $237,250 and the city funded $250,000.

It is reported in the Executive Budget documents that the Port Authority requested and the Administration has recommended an appropriation of $250,000 for 2011-2012.

The exact language from the state act is as follows:

120.124 Operating budget.

Sec. 24. (1) The authority shall submit in writing a detailed estimate of the budget required for the business and conduct of an authority's affairs, initially, for a 2-year period, and annually thereafter to the governing bodies of its constituent units, the department of commerce, and the department of state highways and transportation for approval. The state shall provide 50% of the operating budget of the authority, to be included in the department of state highways and transportation budget which shall be subject to legislative approval. Fifty percent of the operating budget of an authority in which not more than 1 county and not more than 1 city participate shall be funded equally by the participating county and city.

(2) A city or county creating or participating in an authority may appropriate for the use of the authority, and include in its levy for general fund purposes, an amount considered proper. However, the total amount permitted by law to be levied by a city or county for general fund purposes shall not be considered increased by this section.

(3) As used in this section, "operating budget" means solely operation and maintenance expenses of an authority not included in the cost of a specific project, and interest on notes, but excludes amounts for debt service on bonds and amounts for acquisition, construction, enlargement, improvement, or extension of port facilities.

120.125 Surplus of unencumbered funds; disposition.

Sec. 25. If at the end of a fiscal year a surplus of unencumbered funds remains after providing for the operating expenses of an authority, the authority may pay that surplus into the general funds of the state and of its constituent units in the same proportion which the appropriations made by each to the authority bear to each other.

- The Act also allows the authority to issue revenue bonds so as to provide funds for paying for port facilities or for paying for any improvements of projects under the control of the authority. These bonds are not considered debt of the state or the other constituent unit, but shall be paid solely from the revenue or income to be derived from the projects. There are some instances that bonds may be sold and the state and other constituent units may agree to provide reimbursement of those bonds.

The exact language from the act is as follows:

120.114 Revenue bonds; applicability of revenue bond act; revenue bonds payable solely from revenues or income.

Sec. 14. (1) An authority may provide by resolution for the issuance of revenue bonds of the authority for the purpose of providing funds for paying the cost of

port facilities, or for paying the cost of an extension, enlargement, or improvement of a project then under the control of the authority. The bonds issued under this section shall mature at a time or times, not exceeding 40 years after their date of issuance, as the authority may provide.
(2) Revenue bonds issued under this section are subject to the revenue bond act of 1933, 1933 PA 94, MCL 141.101 to 141.140.
(3) Revenue bonds issued pursuant to this section shall not be considered to constitute a debt of this state, a political subdivision of this state, the authority, or any constituent unit, or a pledge of the faith and credit of this state or a political subdivision of this state or of the authority or any constituent unit, but shall be payable solely from the revenues or income to be derived from the projects. The revenue bonds shall contain on their face a statement to the effect that the bonds and attached coupons are payable solely from revenues and are not a general obligation of this state, a political subdivision of this state, the authority, or a constituent unit, and neither the faith and credit nor the taxing power of this state, a political subdivision of this state, the authority, or a constituent unit, is pledged to the payment of the principal of or the interest on the bonds.

120.118 Additional bonds for acquisition of port facilities; authorization; resolution; issuance and execution of bonds; seal; negotiable instruments; maturities; payment; tax exemption; issuance of bonds or notes subject to revised municipal finance act.

Sec. 18. (1) In addition to the bonds authorized in section 14, bonds may be issued for the purpose of acquiring port facilities, as follows:

(a) By the issuance of bonds in anticipation of payments to become due under contracts by which 1 or more constituent units agree to pay to an authority operating under this act certain sums toward the cost of the acquisition, improvement, enlargement, or extension of a project that may be made under this act. Contracts are not subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

(b) By money advanced by an authority operating under this act under agreements with a constituent unit or other municipality for the repayment of the money.

(c) By money advanced, from time to time, before or during construction of a project, by a public corporation, for which an authority operating under this act shall reimburse the corporation with interest not to exceed 8% per annum or without interest as may be agreed, when funds are available for reimbursement. The obligation of an authority to make the reimbursement may be evidenced by a contract or note, which contract or note may be made payable out of the payments to be made by constituent units under contracts made pursuant to subdivision (b), or out of the proceeds of bonds issued pursuant to this act by the county or out of any other available funds.

(2) Bonds issued under this section shall be authorized by a resolution adopted by the authority. The bonds shall be issued in the name of the authority and shall be executed by the chairperson and secretary-treasurer of the authority, who shall also cause their facsimile signatures to be affixed to the interest coupons to be attached to the bonds. The authority shall adopt a seal that shall be affixed to the bonds. Bonds issued under this section shall be negotiable instruments and shall mature not more than 40 years after the date of issuance. The bonds and coupons shall be made payable in lawful money of the United States and shall be exempt from all taxation whatsoever by this state or by any taxing authority within this state.

(3) Bonds or notes issued under this section are subject to the revised municipal finance act, 2001 PA 34, MCL 141.2101 to 141.2821.

Issues and Questions

Attached are the most recent audited financial and annual community reports.

1. What is the current timeline for completion of the Port Authority Public Dock and office project?

2. Please list the current Port Authority board members and the length of the appointments.

3. For what reasons did the county choose to give the port authority $12,750 under and the state $31,800 less than what is required by state law in 2010?

4. What does the Port Authority plan to request from the State and the County for operating costs in the upcoming year?

Attachments

Detroit/Wayne County Port Authority
Comparison Of 2010 Budget To Proposed 2011 Budget
For The Year Beginning October 1, 2010

2/17/20111
2011 PRO-FORMA

ADMINISTRATIVE BUDGET*	APPROVED 2010/2011 BUDGET	PRIOR YEAR 2009/2010 BUDGET	DIFFERENCE PROPOSED VS. PRIOR YEAR
REVENUE			
GRANT REVENUE:			
STATE	468,200	$ 468,200	$ -
COUNTY	237,250	315,000	(77,750)
CITY	250,000	250,000	-
FTZ REVENUE	168,000	168,000	-
INTEREST INCOME	1,808	5,200	(3,392)
RENTAL INCOME	-	-	-
OTHER INCOME	25,000	25,000	-
PORT AUTHORITY RESERVES	-	-	-
TOTAL REVENUE	**$ 1,150,258**	**$ 1,231,400**	**$ (81,142)**
EXPENSES			
SALARIES AND BENEFITS	$ 738,329	$ 931,620	193,291
MARKETING/PROMOTION	10,000	17,350	7,350
TRAVEL/AUTO	16,200	56,200	40,000
PRINTING	1,600	3,600	2,000
RENT/OFFICE	360,250	72,800	(287,450)
POSTAGE	4,800	4,800	-
TELEPHONE	15,000	18,000	3,000
UTILITIES	1,400	2,160	760
OFFICE EQUIPMENT	8,230	7,220	(1,010)
OFFICE SUPPLIES	4,800	8,200	3,400
CONF., DUES & SUBSCRIPTIONS	13,400	29,250	15,850
ANNUAL AUDIT	22,900	22,900	-
CONSULTANTS	5,400	4,800	(600)
MAINTENANCE & REPAIRS	-	-	-
PROPERTY TAXES	-	-	-
INSURANCE (GEN. LIAB & WC)	27,500	27,500	-
LEGAL	12,000	25,000	13,000
	-		-
TOTAL EXPENSES	**$ 1,241,809**	**$ 1,231,400**	**$ (10,409)**
DIFFERENCE	$ (91,551)		

***Does not include revenue and expenses from capitalized Port of Detroit operations and grants.**

DETROIT/WAYNE COUNTY PORT AUTHORITY

2011 Operational Assessment

March 28, 2011

Mission: To promote commerce and recreation throughout the Port of Detroit; to enhance tourism and provide unique experiences throughout the Great Lakes; and to implement creative economic development strategies that draw investment to the waterfront.

Priorities:

1. Promote growth at the Port of Detroit by sustaining our economic viability and developing new markets for export and trade

2. Market and implement creative structured financing solutions using the DWCPA's bonding capacity for fixed assets that comply with our enabling legislation

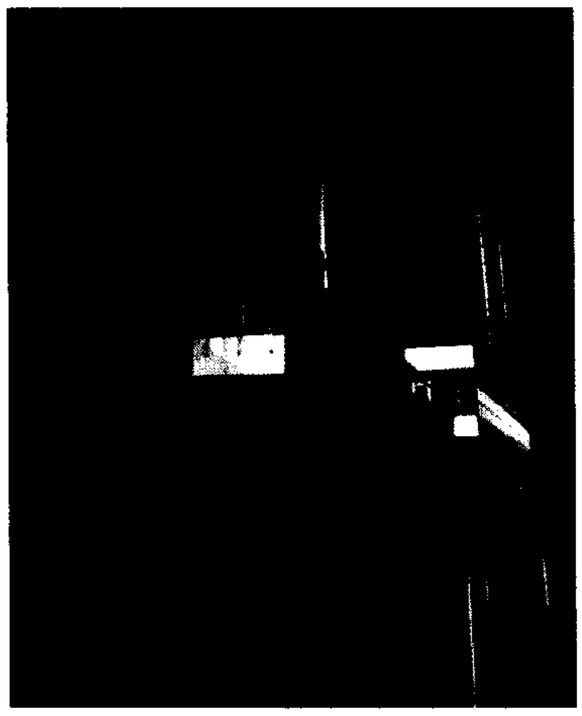
3. Finalize and begin operations of the Public Dock & Terminal at the foot of Bates Street, and adjacent to the General Motors World Headquarters, on the downtown Detroit waterfront, which will ultimately create new maritime activities for the citizens of Detroit and Southeast Michigan

4. Address homeland security gaps throughout the Port of Detroit by making strategic investments, offering specialized training, and facilitating greater coordination and communication across all stakeholders within the maritime domain

5. Administer the Greater Detroit Foreign Trace Zone Program throughout our service area, which reduces the duties and tariffs paid by foreign countries interested in conducting business in Metropolitan Detroit

2010 Accomplishments

Public Dock & Terminal Project

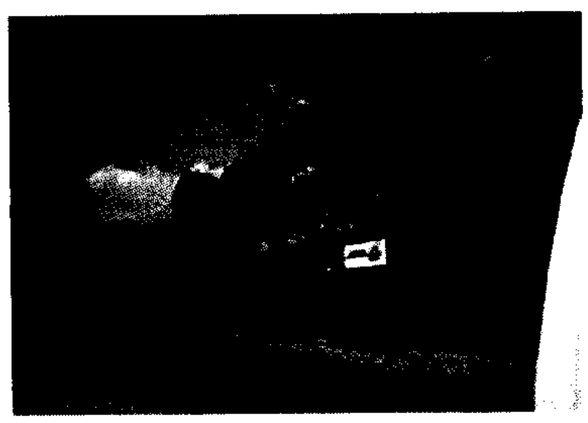


In 2010, the DWCPA's new Public Dock & Terminal building on the downtown Detroit waterfront neared completion. Final construction includes the development of a 225' off-shore wharf to be completed in May of 2011. The project anticipates a grand opening of June 2011, and has already received requests from Great Lakes cruise ships to dock in July of 2011.

The project includes the development of a 21,000 square foot terminal building to include U.S. Customs & Border Protection. The facility will also include the Detroit/Wayne County Port Authority and several thousand square feet of passenger processing areas and public space.

The inclusion of U.S. Customs allows the DWCPA to negotiate the development of cross border ferry service between Detroit and Winsor, Ontario. The project was named one of eight nationally under the U.S. Maritime Administration's, Marine Highway Program, which seeks to move people and/or cargo by water, and off our nation's most congested corridors.

U.S. EPA Brownfield Program



The DWCPA, through formalized partnerships with the City of Detroit Department of Environmental Affairs and Wayne County's Brownfield Redevelopment Authority, continues to lend technical assistance to developers of brownfield projects throughout Detroit and Wayne County. To date, $1.2 million has been spent and/or obligated to market rate and non-profit projects. Due to the success of the program, the DWCPA was awarded a $1 million revolving loan fund in 2010, which it plans to implement in 2011.

Users of Program:

- Southwest Housing – multiple projects highlighted by Piquette Square for homeless vets
- Focus:HOPE – $10m community revitalization plan for Oakman East neighborhood
- Globe Building – Market-rate condos adjacent to State Park leveraging $200K City cleanup
- Power of Green Housing – innovative housing project using old shipping containers
- Hantz Farms – Urban agriculture initiative on Detroit's northeast side

Port of Detroit – Fifth Full Season

2010 marked the fifth full year of operations at the Port of Detroit Marine Terminals, at the foot of Clark Street in southwest Detroit. 2010 saw 57 vessels, from over one half dozen countries, call on the Port of Detroit resulting in approximately 350,000 tons of steel products (375,000 including Ecorse). Challenging economic times continue to stunt growth at the Port of Detroit's general cargo facilities. The DWPCA was successful securing a $500,000 grant from the Federal Railroad Administration, which will better connect the Port of Detroit to our freight rail system, providing true multi-modal options in southwest Detroit. The DWCPA also secured an additional $250,000 for a new inventory management system for products coming into the Port of Detroit from abroad. The Port of Detroit, as a whole, continues to see approximately 17 million in total cargo tonnage across 28 private terminals including Marathon, BP, Severstal NA and U.S. Steel.

U.S. DHS Port Security Grants

As the Fiduciary Agency for all U.S. Department of Homeland Security, Port Security Grant funding, the DWPCA continued to help make strategic investments in security infrastructure at the Port of Detroit that reduces the gaps in vulnerability. Having completed a Port-Wide Risk Assessment in 2009, the DWCPA will continue to work with its partner agencies that include, but are not limited to, the City of Detroit Department of Homeland Security, Wayne County Homeland Security and the Michigan State Police. Since the final report was issued, the DWCPA has obligated over $4 million in funding for strategic investments that include surveillance, water-based patrols and increased security at high-priority waterfront sites.

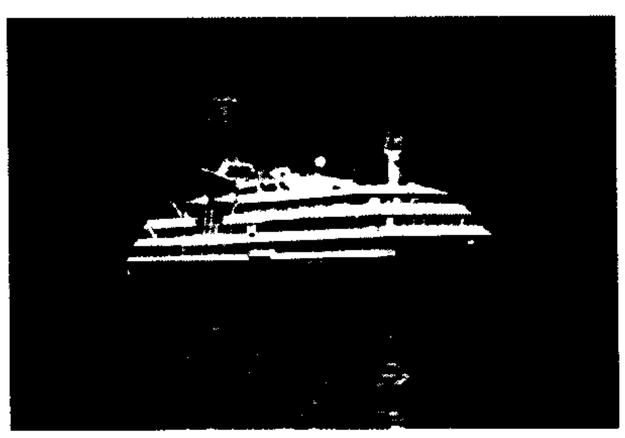
U.S. Department of Commerce, NOAA Marine Debris Removal Grant

The DWCPA, in partnership with the Friends of the Rouge River, Southwest Detroit Environmental Vision, and City of Dearborn, secured $150,000 from the National Oceanic and Atmospheric Association's, Great Lakes Restoration Act to remove twelve abandon vessels from the Rouge River around Fordson Island. This island is half-way between the Rouge River turning basin at the Ford Rouge facility and the mouth of the Rouge River, which connects at the Detroit River. These vessels contain some harmful substances that were of threat to the surrounding habitat, but also made for an eyesore and dumping ground to the adjacent neighborhood.

Detroit River – Hydrokinetic Energy Project

The DWCPA, in partnership with Vortex Hydro Energy out of Ann Arbor, Michigan, helped pursue funding that eventually was awarded from the U.S. Department of Defense to develop an off-shore alternative energy system. Together, the partnership was awarded $1.6 million by the U.S. Department of Defense for the pilot demonstration which took place in 2010 within the St. Clair River. Information was gathered that will eventually lead to a revised device to be deployed again in 2011 for additional testing.

Great Lakes Cruising, Ferry and Other Transient Vessels



The DWCPA will continue to be the leading agency within Michigan actively promoting and marketing Detroit and Wayne County as a port of call for the various cruise ships within the Great Lakes system, in large part due to its role chairing the Great Lakes Cruising Coalition. Additional efforts have been made to establish ferry service from its future headquarters facility. Other vessels such as tall ships, dinner boats and potentially eco-tourism charters are being targeted, as well.

Greater Detroit Foreign Trade Zone

The DWCPA will continue to administer the Greater Detroit Foreign Trade Zone (GDFTZ) program. The GDFTZ provides a competitive advantage to companies involved in international trade through deferral, reduction or elimination of U.S. Customs duties. Through cooperative efforts with public and private organizations, these advantages are used to attract and retain businesses which create employment and economic activity in Southeast Michigan.

Michigan Port Collaborative

The DWCPA continues to play a leadership role by Chairing the Michigan Port Collaborative, which incorporated itself as a 501(c)3 and (c)4 organization this past year. The Michigan Port Collaborative (MPC) seeks to advocate policy and secure funds that are critical for the advancement of our ports throughout Michigan. The MPC has identified over 100 port communities across both peninsulas. Successful conferences were had in Muskegon and Lansing, with listening sessions in Marquette, Sault Ste. Marie and Alpena. The MPC is advancing policy that would eliminate the Harbor Maintenance Tax for non-bulk cargoes, namely alternative energy components. It has also been successful engaging U.S. Customs on current regulations that discourage Great Lakes cruising.

ARRA MDEQ Clean Diesel

The DWCPA applied and was awarded $400,000 by the Michigan Department of Environmental Quality (MDEQ), through their Michigan Clean Diesel Initiative (MCDI). This funding was made possible by the U.S. Environmental Protection Agency (EPA), through the American Recovery and Reinvestment Act (ARRA), to retrofit eight diesel engines on aerial lift equipment owned by Nicholson Terminal & Dock Co., and to retrofit diesel engines on a tugboat, ferry and two generator sets at Waterfront Petroleum, both located within the Port of Detroit. Work was done throughout 2010 and will wrap up in January of 2011. The DWPCA plans to market the program to the other 27 terminal operators throughout the Port of Detroit.

Goals and Potential Projects in 2010

Structured Financing Program Growth

The DWCPA will seek to enhance its structured financing program in 2010 through better coordination and communication with the Detroit Economic Growth Corporation, Wayne County Economic Development and the Michigan Economic Development Corporation. More targeted outreach will occur to the greater port and maritime community for potential capital asset financing in support of greater cargo diversification, equipment upgrades and portfield redevelopment. Additional research and education will continue on the DWCPA enabling legislation, and ways to make it more effective at attracting investment to the City of Detroit and surrounding community.

Port of Detroit Enhancement and Retrofitting for New Economy Industries

The DWCPA will continue to pursue funding to enhance its general cargo facility in southwest Detroit. Funding was secured in the fiscal year 2010 federal Transportation bill to revitalize a functionally obsolete rail spur into the port, which will allow for the eventual movement of various bulk, agricultural and containerized cargoes. This investment could potentially allow for the movement of alternative energy components too big to be moved by truck. Additional investment is being sought to retrofit a vacant ten-story warehouse on site in order to accommodate agricultural commodity storage. Additional investments include, but are not limited to the relocation of entry points from Scotten to Clark Street, warehouse improvements and seawall repair work.

Public Dock & Terminal Operations Plan

The DWCPA has begun outlining an Operations and Marketing Plan for its new Public Dock & Terminal facility. Discussions are ongoing for a potential ferry and water taxi service. More then 5,000 healthcare workers cross the border daily to fulfill duties within the local hospitals of metropolitan Detroit. Such dedicated service could realize significant cost-saving for local hospitals, but also fulfill the need for redundancy at the port should a major breach in border security occur. Additionally, the DWCPA will seek to book excursions either coming to, or departing from, its new facility by cruise ships. There are 120 vessels in the world that are small and narrow enough to traverse all fifteen sets of Great Lakes/St. Lawrence Seaway locks. Further, due to an anticipated presence by U.S. Customs and Border Patrol, a small-boat inspection facility will be established for those residents seeking to cross the border into Canada by vessel.

Expansion of Regional Foreign-Trade Zones

2010 will bring continued administration and implementation of the Greater Detroit Foreign Trade Zone (GDFTZ). The GDFTZ program erases duties paid by companies who are importing parts from various foreign countries overseas. The end product is taxed once, rather then multiple times, if the end product uses parts from various overseas companies.

Homeland Security

The Port of Detroit was elevated in risk assessment by the U.S. Department of Homeland Security in fiscal year 2008. This elevation translates to an annual appropriation to the Port of Detroit, through the DWCPA, who will act as Fiduciary Agent for the Port Security Grant Program. The DWCPA will assist the U.S. Coast Guard, Ninth District, and the many other stakeholders who comprise the Area Maritime Security Committee, in spending their allotment of federal funding on initiatives developed from the Risk Mitigation Plan expected to be finalized in early 2010. The initiatives include a combination of training and capital investment throughout the Port of Detroit. Further, the DWCPA will play a critical role in brokering improved communication across the multiple federal, bi-national and local security agencies, in order to better incorporate the maritime community into existing security initiatives. Further, the DWCPA will incorporate its homeland security goals with the University of Detroit's Center for Cyber Security on Intelligence Studies under its Department of Criminal Justice.

Short-Sea Shipping

The DWCPA, with its many partners through the maritime community at the Port of Detroit, will seek out opportunities for short-sea shipping growth at the Port of Detroit. Short-sea shipping utilizes the deeper ports of the upper-St. Lawrence Seaway System to bring in larger containerized traffic that can be off-loaded to barge. Barge traffic can more easily navigate the shallower waters of the system, while maintaining size requirements to transit the fifteen sets of locks throughout the St. Lawrence Seaway System. The DWCPA, and the American Great Lakes Ports Association, believe there to be potential for growth of our port facilities by encouraging such intermodal, and shipping, connections.

Small Business Development Initiative

The Marketing and Economic Development Divisions of the DWCPA will formulate goals and objectives that would create and promote a small-business development program that would create jobs within Metropolitan Detroit. This initiative would seek to develop entrepreneurial opportunities within the fields of transportation, tourism, homeland security, and environmental engineering, all in line with current programs that the DWCPA administers.

Regional Representative on Important Transportation Policy Initiatives

- **Michigan Port Collaborative**
  The Michigan Port Collaborative (MPC) is a newly forming organization comprised of representatives from all 92 port communities throughout the lower and upper peninsula's of Michigan. With support from the Governor's Office, Department of Transportation and Department of Natural Resources and Environment, the MPC has formed an interim steering committee comprised of 16 port communities, chaired by the DWCPA, who represents the City of Detroit and Wayne County. The MPC expects to be legally formalized in time for its next bi-annual summit, scheduled for May 20-21 in Muskegon. The MPC seeks to advocate policy and secure financial resources for its member communities in Lansing and Washington, D.C.

- **U.S. Coast Guard, Southeast Michigan Area Maritime Security Committee**
  The Port of Detroit, Area Maritime Security Committee, and their executive bodies, provide the Federal Maritime Security Coordinators (FMSC) with advice on identification and mitigation of threats, serve as a link between law enforcement agencies and ship and marine terminal operators to communicate threat information and change Maritime Security levels (MARSEC) to respond to threats, and assist the FMSC with maintenance of the Area Maritime Security Plan (AMSP). The DWCPA serves on the Executive Committee.

- **American Association of Port Authorities (AAPA).**
  The DWCPA has staff representatives who participate on the Cruise, Finance and Public Relations Committees. The AAPA is an alliance of 160 of the leading seaport authorities in the United States, Canada, Latin America and the Caribbean and more than 300 sustaining and associate member, firms and individuals with an interest in seaports. The four goals of its mission are: to advocate governmental policies that strengthen and expand opportunities for member ports, to advance professionalism in all facets of port management and operations, to promote information-sharing and relationship-building opportunities for all members and to achieve greater understanding of the essential role and economic value of ports.

- **The International Propeller Club of the United States-Port of Detroit.**
  Annually, the DWCPA celebrates the opening of the Port of Detroit with the Port of Detroit Chapter by co-hosting a luncheon honoring the arrival of the first ocean going vessel. The DWCPA gives the "State of the Port" address at this luncheon and awards the coveted J.L. Hudson Award to the ship's agent. Many of the DWCPA staff are active members of the Port of Detroit chapter and participate in their educational forums. The Propeller Club, a grass-roots, non-profit organization, is dedicated to the promotion of United States domestic and international waterborne commerce, and to the enhancement and well being of the maritime industry on a national and international basis. Its goal is to educate government officials, the media, and the public as to the importance and necessity of a strong merchant marine and maritime industry.

- **Waterborne Transportation Action Group (Detroit Regional Chamber)**
  This group was formed by the Detroit Regional Chamber to advocate for transportation policy and infrastructure improvements that will enhance the overall business climate and quality of life in the Detroit region. This select group of key transportation and business stakeholders, which includes the DWCPA, seeks to formulate a comprehensive strategy to establish the Detroit region as a viable Midwest multi-modal transportation center that is competitive in the global marketplace.

- **SEMCOG – Ann Arbor to Detroit Rail Study**
  The Southeast Michigan Council of Government (SEMCOG) Ann Arbor to Detroit Rapid Transit Alternatives Analysis Study is one of the key transit planning efforts underway in Southeast Michigan. The study will examine rapid transit options in the Southeast Michigan area along a 50-mile-long, five-to-ten mile-wide corridor extending from west of Ann Arbor to downtown Detroit including the Metro Airport area. The DWCPA serves on the Steering Committee, comprised of representatives from counties and municipalities along the corridor, and other private and public agencies providing input during the study.

- **NBEST (Detroit Regional Chamber)**
  The DWCPA also participates on the Northern Border for Economic Security and Trade (NBEST), a bi-national coalition of public and private-sector stakeholders, created by the Detroit Regional Chamber, dedicated to improving efficiency at our Canadian border crossings.

- **U.S. Army Corps of Engineers Great Lakes Navigation Study**
  The DWCPA provides input, information and contacts for this unique bi-national study to determine current baseline information for environment and engineering features and economic conditions of the Great Lakes St. Lawrence Seaway System. The study will evaluate the social, environmental and economic impacts of future investments to operate and maintain the existing navigation system, but also looks at ways to improve and enhance the current infrastructure.

- **American Great Lakes Ports Association (AGLP)**
  The American Great Lakes Ports Association (AGLP) is an organization representing the interests of the public port authorities on the U.S. side of the Great Lakes. The organization works to inform and influence public policies, primarily at the federal level, that foster maritime commerce and related employment in the Great Lakes region. The DWCPA has represented the Southeast Michigan area since its inception in the late 1970s.

- **Southeast Michigan Coastal Zone Committee (U.S. Coast Guard)**
  The DWCPA was recently asked to serve on the Coastal Zone Committee of the U.S. Coast Guard, which will look at several policy initiatives that affect security and infrastructure along our waterfront. One such issue is the introduction of the Transportation Worker Identification Credential (TWIC), a credentialing system for maritime workers who require unescorted access to secure areas of port facilities and vessels regulated under the Maritime Transportation Security Act.

- **Detroit/ St. Clair River Working Group**
  This working group, which includes representatives from the DWCPA, focuses on the St. Clair River–Lake St. Clair–Detroit River Corridor, and the many issues affecting its health ranging from fishing, to recreational boating, and from drinking water to commercial navigation.

- **Great Lakes Maritime Task Force**
  The Great Lakes Maritime Task Force was founded in November of 1992 to promote a strong U.S.-Flag Merchant Marine on the Great Lakes. Its labor/management membership comprise representatives from the domestic and international trades and encompasses carriers, maritime unions, longshoremen, shipyards, dredging companies, terminal operators, and port authorities, including the Detroit/Wayne County Port Authority. The Great Lakes Maritime Task Force is dedicated to increasing all kinds of trade on the Great Lakes to promote job creation.

- **Transportation Research Board**
  The Transportation Research Board (TRB) is a division of the National Research Council, which serves as an independent adviser to the federal government and others on scientific and technical questions of national importance. The National Research Council is jointly administered by the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine. The mission of the Transportation Research Board—one of six major divisions of the National Research Council—is to promote innovation and progress in transportation through research. The DWCPA provides input and information in various capacities with this research group.

DETROIT/WAYNE COUNTY
PORT AUTHORITY

FINANCIAL STATEMENTS

September 30, 2010 and 2009

George Johnson & Company

DETROIT/WAYNE COUNTY PORT AUTHORITY

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George Johnson
& Company

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INDEPENDENT AUDITORS' REPORT

February 23, 2011

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the years ended, September 30, 2010 and 2009, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the aforementioned financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2010 and 2009, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report, dated February 23, 2011, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

DETROIT/WAYNE COUNTY PORT AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

September 30, 2010 and 2009

This section of the annual report of the Detroit/Wayne County Port Authority (the "Authority") presents management's discussion and analysis of the Authority's financial performance during the fiscal years that ended on September 30, 2010 and 2009. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

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

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

- A $1,000,000 grant was received from the U.S. Department of Homeland Security during the year ended September 30, 2010, following four consecutive years of awards totaling $6,000,000. The Authority is working with the Detroit-Windsor Truck Ferry and the Michigan State Police to implement these awards.

- Construction of the new public dock and terminal continued, with anticipated completion by the end of 2010. The off-shore wharf will be complete by April 2011.

- The Authority received the largest grant award nationally from the U.S. Federal Highway Administration's American Recovery and Reinvestment Act of 2009 ("ARRA") Ferry Boat Discretionary Grant program of $7.2 million. This was presented onsite by U.S. Transportation Secretary Ray LaHood.

- The Michigan Department of Environmental Quality awarded the Authority $450,000 in ARRA funding through its Michigan Clean Diesel program, which will replace older diesel engines with new, cleaner burning engines.

- The Authority received a $150,000 grant from the U.S. National Oceanic and Atmospheric Association's Marine Debris Removal Grant program to remove abandoned vessels from the Rough River surrounding Fordson Island. The grant helps with efforts to restore the island to its natural habitat.

- A $1,000,000 revolving loan fund was secured from the U.S. Environmental Protection Agency during the year ended September 30, 2010. This loan fund will be implemented during the year ended September 30, 2011. It will be used to provide grants and loans to private and public sector developers with Detroit and Wayne County for environmental remediation projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains two types of financial statements. The statements of net assets and statements of activities (which are presented on pages 8 and 9) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balance for governmental funds (which are presented on pages 10 and 12) are considered fund financial statements. A further discussion of each type of statement follows.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Most of the Authority's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed, short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 11 and 13 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 14, explain some of the information in the financial statements and provide more detailed data. A comparison of the Authority's operating fund revenue and expenditures to its budget is provided on page 25.

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE

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

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

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

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

FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)

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

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

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

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

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

ECONOMIC FACTORS

The Board of Directors and management have worked diligently to improve the financial position of the Authority and to implement plans and projects that will reduce the Authority's dependency on tax-based funding to meet administrative expenses. Under the Port of Detroit project, the Authority acquired the Detroit Marine Terminal's property at the foot of Clark Street and Jefferson in Detroit and entered into an operating agreement with a new company in July 2005. In the project's first four years of operation, activity at the Port of Detroit has returned to historical levels, but there has been an impact from the recession. This milestone to implement those plans and projects will substantially increase revenue to the Authority, promote economic development in the port district, and greatly improve commerce within the region.

The site for the new public dock and terminal facility was chosen to be a part of the new Riverwalk Conservancy, adjacent to General Motors' World Headquarters at the foot of Bates Street. Possession of the project parcel was taken in August 2004, and construction began in November 2005. The project is scheduled for completion by the end of 2010 and that it will be available for the 2011 Great Lakes cruise ship season. This project will greatly promote tourism in southeast Michigan and have a very significant economic impact on the region. The Authority plans on moving its offices into the new terminal facility.

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

Presently, all of the projects that will have a significant economic impact for the Authority are in the implementation stages, and the full benefits will not be fully realized in the immediate future. The current economic downturn will likely affect cargo terminal revenue in 2011. The dependency of the Authority on continued tax-based funding for its administrative function is critical to the ongoing success of the Authority. Any significant reductions in the funding level of the Authority will result in a reduction of program services and the demonstrated benefits those projects and services provide.

FINANCIAL CONTACT

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

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF NET ASSETS

September 30, 2010 and 2009

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

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2010 and 2009

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

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

BALANCE SHEETS - GOVERNMENTAL FUNDS

September 30, 2010 and 2009

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

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET ASSETS

September 30, 2010 and 2009

	2010	2009
Total Fund Balance, Governmental Funds	$ 310,476	$ 521,912
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:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:		
Nondepreciable capital assets	15,835,903	10,049,425
Depreciable capital assets:		
Cost	1,010,051	1,004,687
Less: Accumulated depreciation	(215,034)	(189,920)
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:		
Note payable	(2,124,879)	(2,079,347)
Accrued payroll	(54,377)	(74,902)
Total Net Assets, Governmental Activities	**$ 14,762,140**	**$ 9,231,855**

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

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

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

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

See notes to financial statements.

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.

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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash Deposits (continued)

As of September 30, 2010 and 2009, the Authority's carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	2010	2009
Carrying amount of deposits	$ 533,195	$ 545,881
Total bank balances	$ 830,483	$ 686,106
Uninsured and uncollateralized bank balances	$ 330,462	$ 208,799

Concentration of Credit Risk

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

Capital Assets

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

Pollution Remediation Obligations

Pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups. Upon the occurrence of one of five specified events, the Authority estimates the components of expected pollution remediation outlays to determine whether outlays for these components should be accrued as a liability in the government-wide financial statements at current value or, under certain circumstances, whether these outlays should be capitalized in the government-wide financial statements. No pollution remediation obligations have been recorded as of September 30, 2010 and 2009 because none of the five specified events have occurred.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

Vacation time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over a maximum of 40 days. Upon termination, employees are entitled to their unused accumulated vacation time.

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

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

NOTE B - ADMINISTRATIVE REVENUE

The Authority provides administrative services for Greater Detroit Foreign Trade Zone, Inc. ("GDFTZ"). Total fees were $168,000 each year for the years ended September 30, 2010 and 2009. A balance of $14,000 and $-0- was receivable from GDFTZ as of September 30, 2010 and 2009, respectively.

NOTE C - CAPITAL ASSETS

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

Balance, October 1, 2008	$ 3,976,940	$ 651,502	$ 4,628,442
Acquisitions		5,420,983	5,420,983
			10,049,425
Acquisitions		5,786,478	5,786,478
			$ 15,835,903

NOTE C - CAPITAL ASSETS (CONTINUED)

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

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

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.

NOTE D - LONG-TERM LIABILITIES (CONTINUED)

The note bears interest at a rate defined in the Master Concession Agreement as 300 basis points over the yield to maturity of five-year United States Treasury notes, as published in a respected financial journal. According to the agreement, the interest rate should not be less than six percent; the rates that have been charged as of September 30, 2010 and 2009 were 6.00 percent and 5.32 percent, respectively. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement

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

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

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

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

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year will be six percent, which is equal to the effective interest rate as of September 30, 2010, and that the revenue received by the Authority under the relevant sections of the Master Concession Agreement will be $250,000 each year. Due to the nature of these assumptions and the uncertainties inherent in setting them, it is at least reasonably possible that changes in the near term to these assumptions would be material to the preceding schedule.

NOTE E - LEASES

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

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

For the Year Ending September 30:	
2011	$ 3,397
2012	3,397
2013	2,548
	$ 9,342

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

NOTE F - CONTRACTS AND GRANTS

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

State of Michigan

The Authority's contract with the Michigan Department of Transportation ("MDOT") is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be determined annually.

County of Wayne

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

City of Detroit

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

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

The Authority has also obtained the following grants:

Federal Highway Grant

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

Port Security Grants

The Authority received $1,599,583 in reimbursement grants in 2009 from the U.S. Department of Homeland Security for the purpose of purchasing patrol boats to protect critical port infrastructure from terrorism. The Authority provides status reports on a quarterly basis.

Brownfield Grant

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

Economic Adjustment Assistance Grant

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

Michigan Department of Environmental Quality Brownfield Redevelopment Grant

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

NOTE F - CONTRACTS AND GRANTS (CONTINUED)

Michigan Department of Environmental Quality Clean Diesel Grant

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

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

Ambassador Port Revenue

The Authority entered into a Master Concession Agreement with Ambassador. The Authority's main purpose for entering into this agreement is to cause a dormant port facility to resume operations. The parties agreed that the Authority is to be compensated for out-of-pocket and administrative costs that the Authority incurs. According to the Master Concession Agreement, Ambassador shall pay the Authority 2.5 percent of gross receipts received in each quarter, less all outstanding interest that accrued during that quarter, any default interest due, and any interest accrued during prior quarters that was added to the principal amount of the promissory note. During the years ended September 30, 2010 and 2009, the Authority received $107,244 and $104,156, respectively, which were recorded as contract revenue.

Total contract and grant revenue is summarized as follows:

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

NOTE G - RISK MANAGEMENT

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

NOTE H - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

Salaries, wages, and employee benefits	$ 931,620	$ 933,821	$ (2,201)
			(1,234,446)
Interest expense	-0-	153,732	(153,732)

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

NOTE I - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement of Governmental Accounting Standards ("SGAS") No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." SGAS No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a governmental entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. In addition, SGAS No. 54 clarifies the definitions of various types of funds and provides guidance for classifying and disclosing stabilization amounts. SGAS No. 54 applies to the Authority's financial statements for the year ending September 30, 2011. The Authority has not determined the impact, if any, on its financial statements of implementing SGAS No. 54.

REQUIRED SUPPLEMENTARY INFORMATION

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

	2010				2009			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
Revenue:								
Contracts and grants	$ 1,033,200	$ 1,033,200	$ 2,116,852	$ 1,083,652	$ 1,065,000	$ 1,065,000	$ 3,119,284	$ 2,054,284
Noncash contributions			5,786,478	5,786,478			5,239,957	5,239,957
Administrative revenue	168,000	168,000	168,000	-0-	168,000	168,000	168,000	-0-
Project development and administration	25,000	25,000	25,000	-0-	25,000	25,000	25,000	-0-
Interest income	5,200	5,200	1,669	(3,531)	5,652	2,284	2,772	488
Miscellaneous income				-0-			27	27
Total Revenue	**1,231,400**	**1,231,400**	**8,097,999**	**6,866,599**	**1,263,652**	**1,260,284**	**8,555,040**	**7,294,756**
Expenditures:								
Current:								
Salaries, wages, and employee benefits	931,620	931,620	933,821	(2,201)	931,622	927,574	942,853	(15,279)
Contractual and professional services	52,700	52,700	36,838	15,862	39,050	52,265	110,645	(58,380)
Facility operations and maintenance	74,960	74,960	67,539	7,421	68,160	68,128	68,340	(212)
Office expenses	69,320	69,320	61,044	8,276	72,820	78,857	68,788	10,069
Site reclamation and redevelopment			1,234,446	(1,234,446)			1,501,573	(1,501,573)
Travel and automotive expenses	56,200	56,200	35,679	20,521	70,200	96,712	99,799	(3,087)
Conferences, dues, and subscriptions	29,250	29,250	26,139	3,111	52,250	67,509	60,886	6,623
Marketing and promotion	17,350	17,350	13,887	3,463	29,550	26,911	24,607	2,304
Interest expense			153,732	(153,732)			106,476	(106,476)
Debt service			4,668	(4,668)			20,142	(20,142)
Capital outlay			5,791,842	(5,791,842)			5,420,546	(5,420,546)
Total Expenditures	**1,231,400**	**1,231,400**	**8,359,635**	**(7,128,235)**	**1,263,652**	**1,317,956**	**8,424,655**	**(7,106,699)**
Excess (Deficiency) of Revenue over Expenditures	**-0-**	**-0-**	**(261,636)**	**(261,636)**	**-0-**	**(57,672)**	**130,385**	**188,057**
Other Financing Sources:								
Additions to note payable			50,200	50,200			21,746	21,746
Net Increase (Decrease) in Fund Balance	**$ -0-**	**$ -0-**	**$ (211,436)**	**$ (211,436)**	**$ -0-**	**$ (57,672)**	**$ 152,131**	**$ 209,803**

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

DETROIT/WAYNE COUNTY PORT AUTHORITY

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

For the Years Ended September 30, 2010 and 2009

NOTE A - BUDGETS AND BUDGETARY ACCOUNTING

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

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