

Office of Legislative  
**Auditor General**

**WILLIE MAYO, CPA, CIA, CICA**  
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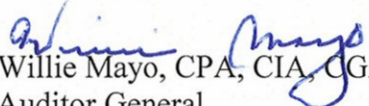
June 26, 2012

**FINAL REPORT TRANSMITTAL LETTER**

Honorable Wayne County Commissioners:

Enclosed is our final copy of the Office of Legislative Auditor General's Financial Assessment – Limited Review Report for the Wayne County Airport Authority's Comprehensive Annual Financial Report for the fiscal year ended September 30, 2011. Our report is dated April 26, 2012; DAP No. 2012-57-902. The contents of this report did not change from the draft report previously issued. The report was accepted by the Audit Committee June 7, 2012, and formally received by the Wayne County Commission on June 21, 2012.

We are pleased to inform you officials from the Wayne County Airport Authority provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at: <http://www.waynecounty.com/commission/lagreports.htm>

  
Willie Mayo, CPA, CIA, CGAP, CICA  
Auditor General

**REPORT DISTRIBUTION**

**Wayne County Airport Authority**

Thomas J. Naughton, Interim Chief Executive Officer  
Terrence P. Tiefer, Interim Chief Financial Officer & Treasurer  
Istakur Rahman, Vice President-Internal Audit  
Margaret Basrai, Controller

**Wayne County Airport Authority Board**

Mary L. Zuckerman, Chairperson, Wayne County Airport Authority Board  
Honorable Bernard F. Parker, Jr. Wayne County Commission

**Department of Management & Budget**

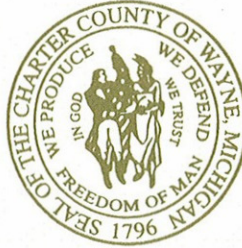
Carla E. Sledge, Chief Financial Officer  
Terry L. Hasse – Director, Grants Compliance and Contracts Management

**Wayne County Executive**



Office of Legislative  
**Auditor General**

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April 26, 2012

**DAP No. 2012-57-902**

Honorable Ilona Varga, Chairwoman  
Audit Committee  
Wayne County Commission  
County of Wayne, Michigan  
500 Griswold, Suite 766  
Detroit, MI 48226

**Subject:** Office of Legislative Auditor General's Financial Assessment – Limited Review Report of the Wayne County Airport Authority's Comprehensive Annual Financial Report, including its audited financial statements and related reports for the fiscal year ended September 30, 2011.

Dear Chairwoman Varga:

At the April 24, 2012 Audit Committee meeting, the Wayne County Airport Authority (Authority) Fiscal Year 2011 Comprehensive Annual Financial Report (CAFR) was referred to the Wayne County Office of Legislative Auditor General (OAG) for review, assessment, and recommendation. Because we have performed more extensive financial reviews of the Authority's annual CAFR, in the past few years, in accordance with professional attestation standards and determined they were complete, thorough and in accordance with generally accepted accounting principles, we elected to conduct a limited review of their CAFR and related reports for fiscal year ended September 30, 2011.

Our limited review is substantially less in scope than an examination or audit in accordance with Generally Accepted Government Auditing Standards or Generally Accepted Auditing Standards, the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.

Our limited review of the Authority's CAFR, audited financial statements, A-133 report of federal awards and report to the audit committee (Statement of Auditing Standards No. 114) for the fiscal year ended September 30, 2011, included, but was not necessarily limited to, a thorough and complete review of these documents, limited inquiries of Authority personnel, and





analytical review procedures. Below, we have summarized some key items from the CAFR and other reports for consideration by the Committee and Commission members:

### **Background**

- The Wayne County Airport Authority was created in accordance with State of Michigan Public Act 90 of 2002. The Authority has operational jurisdiction over the Detroit Metropolitan Wayne County Airport, Willow Run Airport and the Metro Airport Westin Hotel. Although the county owns all of the Authority's assets, the Authority holds the exclusive right, responsibility, and authority to occupy, operate, control, and use of the facilities.
- The Authority is governed by a seven member board. Four members are appointed by the Wayne County CEO, two members are appointed by the governor of the State of Michigan and one member is appointed by the Wayne County Commission.
- For financial reporting purposes, the Authority is a discretely presented component unit of the County of Wayne, and though the Authority is a separate legal entity, its financial results are included in the County's CAFR as a component unit. As a component unit, the county is financially accountable.
- The Authority's operations are recorded in three major funds:
  - Detroit Metropolitan Airport Fund
  - Willow Run Airport Fund
  - Airport Hotel Fund

### **External Auditors Reports And Letters**

- The Authority received an "unqualified opinion" on the audited financial statements from Plante & Moran, PLLC.
- An audit of the Authority's federal awards grants was performed in accordance with the Federal Office of Management & Budget, OMB Circular A-133. There were no findings and/or questioned cost related to the federal awards or grants.
- An audit of the Authority's Passenger Facility Charge Program was performed to determine compliance with the requirements described in the *Passenger Facility Charges Audit Guide for Public Agencies*. (the "Guide"), issued by the Federal Aviation Administration. The Authority complied, in all material respects, with the requirements of the Guide.

### **Financial Results/Operations**

#### **Net Asset Change**

The Authority reported combined net assets of \$465 million at fiscal year end which represents a \$59.5 million, or 11%, decrease from the prior year. The \$59.5 million net change was a result of: a net operating loss (expenditures exceeding revenues) of \$50.8 million plus total non-operating expenses of \$26.5 million, offset by capital contributions of \$17.8 million.



### **Upcoming Reporting Change**

In December 2010, the Governmental Accounting Standards Board (GASB) issued statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance

- In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. Once implemented, this statement will impact the format and reporting of the balance sheet.
- The Authority is currently evaluating the impact these standards will have on the financial statements when adopted, during the Authority's 2013 fiscal year.

### **Fund Deficits**

The Airport Hotel Fund ended the 2011 fiscal year with a deficit fund balance of \$46.7 million, which represents an increase from prior year of \$5 million, or 12 percent. The Authority has a deficit elimination plan on file with the State of Michigan Treasurer from 2006. That plan indicated the deficits would continue to increase until fiscal year 2011 after which time sufficient operating revenues would be generated to cover the non-cash expenses such as depreciation and amortization of bond proceeds, which Authority officials state is the primary cause of the deficits. However, management previously informed us that due to the economic downturn in the State of Michigan, the elimination of the deficit in the Hotel Fund would take longer than expected, as stated in the original plan. Management indicated they intend to submit a new deficit elimination plan. Management stated the Authority was not required to submit a deficit elimination plan, or an amendment, to the State for any of their funds for Fiscal Year 2011, based upon Deficit Elimination Plan guidance received from the State of Michigan Department of Treasury.

### **Impact on County Operations**

- The County has pledged its limited tax full faith and credit for the \$108 million balance in airport hotel revenue bonds issued by the county.
- According to Authority officials, there are three administrative services provided by the county to the Authority. Specifically,
  - Administration of Health Benefits-Annually, the Authority pays for consultation services and the administration of retiree health benefits.
  - Certification of Disadvantaged Business Enterprises by Human Relations Division certification function provided by Corporation Counsel.
  - Administration of Authority Retirees' benefits by the WCERS - Varying amounts are paid quarterly.
- As of September 30, 2010, the Authority owed the county \$12,800 for a special actuarial report done for the Authority's Fiscal Year 2012 retirement incentive, which was paid by WCERS.



### **Internal Controls/Compliance**

The Authority's report on Federal Awards (A-133) and Auditor's Report to the Audit Committee (SAS 114) indicated no deficiencies or material weakness in the Authority's internal controls and no instances of non-compliance with laws, statutes or award/grant agreements.

### **Possible Risk Vulnerabilities**

- Mounting fund balance deficits in the Hotel Fund could pose risk to the Authority and the County (as payer of last recourse) if it is not fully addressed in the near term.
- The Authority continues to be somewhat vulnerable because of its reliance upon a single major customer, Delta Airlines, which accounts for approximately 30 percent of its operating revenue.

### **Subsequent Events**

On November 30, 2011, the Authority issued \$169.4 million in Wayne County Airport Authority Revenue Refunding Bonds (Series 2011A - \$152.5 million; and Series 2011B - \$16.9 million). The Series 2011A Fixed Rate Refunding Bonds were used to refund a portion of the Series 1998A Bonds. The Series 2011B Fixed Rate Refunding Bonds were used to refund a portion of the Series 2002C Bonds.

### **Noteworthy Matters**

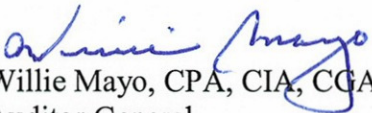
- The Government Finance Officers Association (GFOA), a leading government professional association dedicated to excellence in governmental accounting and finance awarded to the Authority its eighth consecutive Certificate of Achievement for Excellence in Financial Reporting.
- The Authority's budget process has also been recognized by the GFOA and received their Award for Distinguished Budget Presentation for fiscal years 2005 to 2011.

### **Conclusion and Recommendation**

Based on our limited review, nothing came to our attention that caused us to believe the Authority's 2011 CAFR, audited financial statements; A-133 report and letter to audit committee are not presented in conformity with generally accepted accounting principles.

It is our recommendation that the Wayne County Airport Authority CAFR including audited financial statements for fiscal year ended September 30, 2011 be forwarded to the Wayne County Commission to receive and file.

Respectfully submitted,

  
Willie Mayo, CPA, CIA, CGAP, CICA  
Auditor General

P.C Thomas J. Naughton, Interim Chief Executive Officer, Wayne County Airport Authority  
Terrence P. Tiefer, Interim Chief Financial Officer & Treasurer, Wayne County  
Airport Authority  
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