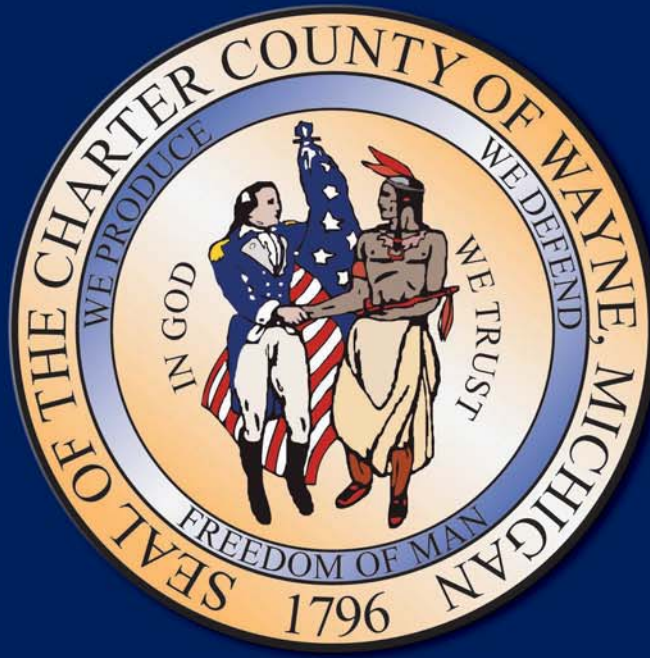


CHARTER COUNTY OF WAYNE, MICHIGAN
**SEWAGE DISPOSAL
SYSTEM**



ROBERT A. FICANO
COUNTY EXECUTIVE

2013

**CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS**

Basic Financial Statements

September 30, 2013

(With Independent Auditors' Report Thereon)

Independent Auditor's Report

To the Wayne County Commission and
the County Executive
Wayne County Sewage Disposal Systems

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended September 30, 2013, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2014, which contained unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to March 31, 2014.

In Relation To Opinion on Accompanying Financial Statements

The accompanying financial statements of the Downriver Sewage Disposal System Fund, the Rouge Valley Sewage Disposal System Fund, the Northeast Sewage Disposal System Fund, and the Combined Sewer Overflow (CSO) Basins Fund (collectively, the Sewage Disposal Systems) of the Charter County of Wayne, Michigan are presented for purposes of additional analysis and not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Wayne County Commission and
the County Executive
Wayne County Sewage Disposal Systems

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering County's internal control over financial reporting and compliance.

Plante & Morse, PLLC

April 24, 2014

**CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

As management of the Sewage Disposal Systems, we offer readers of the Systems' financial statements this narrative overview and analysis of the financial activities of the Systems for the year ended September 30, 2013. We encourage readers to consider the information presented here in conjunction with the preceding Independent Auditor's Report, the accompanying basic financial statements, the notes to the basic financial statements, and the Charter County of Wayne Michigan (the County) Comprehensive Annual Financial Report.

Overview of the Sewage Disposal Systems

The Downriver Sewage Disposal System (Downriver), Rouge Valley Sewage Disposal System (Rouge Valley), Northeast Sewage Disposal System (Northeast), and Combined Sewer Overflow Basins (CSO Basins), collectively referred to as the Sewage Disposal Systems, or Systems, are enterprise funds of the County. Rouge Valley and Northeast were organized by the Wayne County Board of Supervisors under the provisions of Act 342, of the Public Acts of Michigan of 1939, as amended for the purposes of sewage disposal. The Wayne County Board of Supervisors organized Downriver under the provisions of Act 185 of the Public Acts of Michigan of 1957, as amended for the purpose of sewage disposal. In 1998, the County decided to transfer portions of the Downriver and Rouge Valley systems into the CSO Basin, a separate fund, to more accurately track construction and operations costs for the communities served by that system. The Wayne County Department of Public Services – Environmental Services Group administers Downriver in accordance with the 1962 Downriver Agreement, which expired in 2012. A new agreement is being negotiated as of the issuance date of this report.

Required Financial Statements

The financial statements of the Systems report information utilizing the full accrual basis of accounting and conform to accounting principles that are generally accepted in the United States of America. The financial statements consist of three interrelated statements designed to provide the reader with relevant, understandable data on the Systems' financial condition and operating results. These statements are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows.

The Statement of Net Position presents information on the Systems' assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligation to the Systems' creditors (liabilities) with the difference between the two being reported as Net Position. Over time, increases and decreases in Net Position may serve as a useful indicator of whether the financial position of the Systems are improving or deteriorating. However, one must consider other non-financial factors such as the changes in economic conditions, population growth, zoning, and new or changed government legislation.

The Statement of Revenues, Expenses and Changes in Net Position identifies the Systems' revenue and expenses for the fiscal year. It provides information on the Systems' operations over the past fiscal year and can be used to determine whether the Systems have recovered all of its projected costs through user fees, tax revenues and other service related charges.

The Statement of Cash Flows presents information regarding the Systems' cash receipts and cash payments for the period, categorized according to whether they stem from operating activities, non-capital financing activities, capital and related financing activities or investing activities. From this statement, the reader can obtain comparative information on the sources and uses of the Systems' cash.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements and are an integral part of the financial statements.

Summary Financial Information and Analysis

The following table summarizes a comparison of the Change in Net Position over the past two years:

**Sewage Disposal Systems
Change in Net Position
For the Year Ended September 30 (in thousands)**

	2013	2012
Operating revenues	\$ 96,868	\$ 96,217
Operating expenses	104,326	103,193
Operating loss	(7,458)	(6,976)
Non-operating revenues/(expenses)	(1,227)	(1,078)
Change in net position	(8,685)	(8,054)
Net position at October 1	322,316	330,370
Net position at September 30	\$ 313,631	\$ 322,316

Net position decreased by \$8.7 million in fiscal year 2013. Key elements of the decrease are as follows:

- \$17.8 million of depreciation expense, a non-cash expense, for the Sewage Disposal Systems is not fully recovered through rates charged to participating communities for sewage disposal.
- Operating expenses exceeded operating revenues by \$7.45 million in fiscal year 2013 due primarily to depreciation expense incurred by the Downriver Sewage Disposal System. In addition, the debt services payments for the 2007B and the 1999 refunding bonds were paid from the surplus construction funds related to the 1994 and 1995 refunding bonds. This resulted in an operating deficit of 1.6 million in the CSO basin sewage fund for the year ending September 30, 2013.

Other significant fluctuations are attributable to the following:

- Operating revenues primarily consist of sewage disposal charges assessed to participating communities. The fixed rates charged to participating communities increased slightly over prior year. Despite the increase in rates, revenues remained relatively consistent over prior year due to a decrease in water consumption volume for all systems.
- Operating expenses increased by \$1.1 million over prior year due primarily to an increase in depreciation expense offset by a decrease in miscellaneous expenses in the Rouge Valley System.

The following table summarizes a comparison of the Statement of Net Position for the past two years:

As of September 30 (in thousands)

	<u>2013</u>	<u>2012</u>
Current assets	\$ 46,500	\$ 34,925
Capital assets	320,635	331,134
Restricted assets	150,471	172,655
Other non-current assets	571	668
Total assets	<u>518,177</u>	<u>539,382</u>
Current liabilities	21,062	19,093
Non-current liabilities	183,484	197,973
Total liabilities	<u>204,546</u>	<u>217,066</u>
Net position:		
Net investment in capital assets	170,228	170,444
Restricted	119,229	137,351
Unrestricted	24,174	14,521
Total net position	<u>\$ 313,631</u>	<u>\$ 322,316</u>

The majority of the Systems' net position is invested in capital assets or restricted. Net investment in capital assets remained consistent with the prior year. Restricted net position decreased by \$18.1 million mainly due to collections of current and past due amounts from municipalities for sewage disposal services.

Unrestricted net position for the Sewage Disposal Systems at the end of the year amounted to the following:

- Downriver's unrestricted net position increased by \$2.1 million over prior year due primarily to an increase in amounts due from participating communities.
- Rouge Valley's unrestricted net position increased by \$6.0 million over prior year due to increased collections from participating communities for current and past due sewage disposal charges. In addition, operating expenditures decreased over prior year.
- Northeast's unrestricted net position increased by \$1.9 million over prior year due to an increase in sewage disposal revenue coupled with a decrease in operating expenses.

- CSO’s unrestricted net position decreased by \$392,000 over prior year due to a decrease in current receivables for operations.

The decrease in restricted assets of \$22.2 million is primarily due to:

- A net decrease in bond principal due from municipalities of \$17.6 million for payments made on existing long term debt combined with additional debt for pre-approved State Revolving loans for new capital improvements.
- \$4.0 million decrease in restricted equity in pooled cash and investments collected primarily for future debt retirement.

The decrease in other non-current liabilities of \$14.5 million is primarily due to payments on long-term debt.

Capital assets decreased by \$10.5 million due to an increase in net infrastructure assets of \$40.5 million, offset by a decrease of \$50.6 million of construction work in progress for assets put into service.

Capital Assets, Net
As of September 30 (in thousands)

	<u>2013</u>	<u>2012</u>
Land and improvements	\$ 4,743	\$ 4,805
Buildings and improvements	5,931	6,622
Machinery, equipment and vehicles	809	506
Infrastructure	305,818	265,302
Construction in progress	3,334	53,899
Total	<u>\$ 320,635</u>	<u>\$ 331,134</u>

The County currently has a “BBB-” rating with a stable outlook from Standard & Poor's, a "Baa3" rating with a negative outlook from Moody's Investors Service and a “BB-” rating with a negative outlook from Fitch Ratings for uninsured debt issues.

Requests for Information

This financial report is designed to provide a general overview of the System’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter County of Wayne, Michigan, Department of Management and Budget, Financial Reporting Division, 500 Griswold Street, 20th Floor, Detroit, Michigan 48226.

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
STATEMENT OF NET POSITION

As of September 30, 2013
(in thousands)

	<u>Downriver</u>	<u>Rouge Valley</u>	<u>Northeast</u>	<u>CSO Basins</u>	<u>Total</u>
Assets					
Current assets:					
Equity in pooled cash and investments (note 4)	\$ 9,572	5,816	4,019	-	\$ 19,407
Other cash and investments (note 4)	1	-	-	-	1
Due from other funds (note 7)	4,594	4,400	-	-	8,994
Receivables:					
Accounts	71	-	-	-	71
Due from component units (note 7)	39	-	-	-	39
Due from other governmental units	5,240	10,004	1,489	1,304	18,037
Less allowance for uncollectable accounts	(159)	-	-	-	(159)
Prepayments and deposits	110	-	-	-	110
Total current assets	<u>19,468</u>	<u>20,220</u>	<u>5,508</u>	<u>1,304</u>	<u>46,500</u>
Restricted assets (note 5):					
Equity in pooled cash and investments (note 4)	21,225	4,419	2,459	4,458	32,561
Other cash and investments (note 4)	3,530	-	-	-	3,530
Accounts receivable	12,027	-	-	2,142	14,169
Bond principal due from municipalities	89,415	150	561	10,085	100,211
Total restricted assets	<u>126,197</u>	<u>4,569</u>	<u>3,020</u>	<u>16,685</u>	<u>150,471</u>
Noncurrent assets:					
Capital assets not being depreciated (note 6)	3,584	1,449	1,182	1,006	7,221
Capital assets being depreciated (note 6)	216,598	93,857	2,959	-	313,414
Bond issuance cost, net of amortization	371	44	3	153	571
Total noncurrent assets	<u>220,553</u>	<u>95,350</u>	<u>4,144</u>	<u>1,159</u>	<u>321,206</u>
Total assets	<u>\$ 366,218</u>	<u>\$ 120,139</u>	<u>\$ 12,672</u>	<u>\$ 19,148</u>	<u>\$ 518,177</u>

(Continued)

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
STATEMENT OF NET POSITION

As of September 30, 2013
(in thousands)

	<u>Downriver</u>	<u>Rouge Valley</u>	<u>Northeast</u>	<u>CSO Basins</u>	<u>Total</u>
Liabilities					
Current liabilities:					
Accounts and contracts payable	1,490	138	61	6	1,695
Accrued wages and benefits	135	-	-	-	135
Due to other funds (note 7)	-	-	-	758	758
Current portion of long-term obligations (note 8)	477	495	-	-	972
Other liabilities	350	11,947	5,199	6	17,502
Total current liabilities	<u>2,452</u>	<u>12,580</u>	<u>5,260</u>	<u>770</u>	<u>21,062</u>
Payable from restricted assets:					
Accounts payable	1,675	-	175	2,495	4,345
Other liabilities	12,311	-	-	-	12,311
Accrued interest	440	-	7	225	672
Bonds and notes payable (note 8):					
Due in less than one year	16,840	-	561	3,385	20,786
Due in more than one year	94,931	4,569	1,150	10,529	111,179
Total liabilities payable from restricted assets	<u>126,197</u>	<u>4,569</u>	<u>1,893</u>	<u>16,634</u>	<u>149,293</u>
Noncurrent liabilities:					
Other postemployment benefits (note 10)	2,354	-	-	-	2,354
Bonds and notes payable due in more than one year (note 8)	26,138	5,584	-	-	31,722
Other long-term liabilities	115	-	-	-	115
Total non-current liabilities	<u>28,607</u>	<u>5,584</u>	<u>-</u>	<u>-</u>	<u>34,191</u>
Total liabilities	<u>157,256</u>	<u>22,733</u>	<u>7,153</u>	<u>17,404</u>	<u>204,546</u>
Net position					
Net investment in capital assets	82,134	84,658	2,430	1,006	170,228
Restricted for bond programs	111,771	4,569	2,838	51	119,229
Unrestricted	15,057	8,179	251	687	24,174
Total net position	<u>208,962</u>	<u>97,406</u>	<u>5,519</u>	<u>1,744</u>	<u>313,631</u>
Total liabilities and net position	<u>\$ 366,218</u>	<u>\$ 120,139</u>	<u>\$ 12,672</u>	<u>\$ 19,148</u>	<u>\$ 518,177</u>

(Concluded)

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For the year ended September 30, 2013
(in thousands)

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
Operating revenues:					
Sewage disposal charges	\$ 15,021	52,291	22,168	260	\$ 89,740
Industrial surcharges	1,578	-	-	-	1,578
State grants	650	-	-	-	650
Other charges for services	3,368	-	-	1,532	4,900
Total operating revenues	<u>20,617</u>	<u>52,291</u>	<u>22,168</u>	<u>1,792</u>	<u>96,868</u>
Operating expenses:					
Personnel	2,283	-	-	-	2,283
Fringe benefits	1,606	-	-	-	1,606
Pension	854	-	-	-	854
Materials and supplies	2,036	23	60	99	2,218
Contractual services	5,272	46,844	19,102	2,982	74,200
Travel	27	-	-	-	27
Miscellaneous operating	4,036	204	432	284	4,956
Rentals	63	21	306	32	422
Depreciation	14,508	2,901	351	-	17,760
Total operating expenses	<u>30,685</u>	<u>49,993</u>	<u>20,251</u>	<u>3,397</u>	<u>104,326</u>
Operating income (loss)	(10,068)	2,298	1,917	(1,605)	(7,458)
Non-operating revenues (expenses):					
Investment earnings (loss)	32	5	17	162	216
Collections from participating local units	3,251	4	33	732	4,020
Interest expense	(4,256)	(270)	(50)	(887)	(5,463)
Total non-operating revenues (expenses)	<u>(973)</u>	<u>(261)</u>	<u>-</u>	<u>7</u>	<u>(1,227)</u>
Change in net position	(11,041)	2,037	1,917	(1,598)	(8,685)
Net position at October 1, 2012	<u>220,003</u>	<u>95,369</u>	<u>3,602</u>	<u>3,342</u>	<u>322,316</u>
Net position at September 30, 2013	<u>\$ 208,962</u>	<u>97,406</u>	<u>5,519</u>	<u>1,744</u>	<u>\$ 313,631</u>

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS

Statement of Cash Flows

For the year ended September 30, 2013

(in thousands)

	<u>Downriver</u>	<u>Rouge Valley</u>	<u>Northeast</u>	<u>CSO Basins</u>	<u>Total</u>
Cash flows from operating activities:					
Receipts from customers	\$ 19,050	53,172	22,323	3,689	\$ 98,234
Payments to suppliers	(11,753)	(44,523)	(19,792)	(4,343)	(80,411)
Payments to employees	(2,282)	-	-	-	(2,282)
Payments for benefits	(1,945)	-	-	-	(1,945)
Internal activity - receipts from other funds	(4,594)	(4,400)	-	-	(8,994)
Internal activity - payments to other funds	(84)	(14)	(5)	(883)	(986)
Internal activity - receipts from component units	(20)	-	-	-	(20)
Net cash provided by (used in) operating activities	(1,628)	4,235	2,526	(1,537)	3,596
Cash flows from capital and related financing activities:					
Repayment of long-term debt	(16,874)	(490)	(555)	(3,410)	(21,329)
Proceeds from issuance of long term debt	6,229	359	1,150	226	7,964
Bond principal received from municipalities	12,927	20	540	4,139	17,626
Interest received from participating local units	3,251	4	33	732	4,020
Acquisition of capital assets	(6,252)	(23)	(902)	(84)	(7,261)
Interest paid	(4,244)	(266)	(38)	(901)	(5,449)
Net cash provided by (used in) capital and related financing activities	(4,963)	(396)	228	702	(4,429)
Cash flows from investing activities - investment earnings	32	5	17	162	216
Net increase (decrease) in cash and cash equivalents	(6,559)	3,844	2,771	(673)	(617)
Cash and cash equivalents at October 1, 2012	40,887	6,391	3,707	5,131	56,116
Cash and cash equivalents at September 30, 2013	<u>\$ 34,328</u>	<u>10,235</u>	<u>6,478</u>	<u>4,458</u>	<u>\$ 55,499</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (10,068)	2,298	1,917	(1,605)	\$ (7,458)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	14,508	2,901	351	-	17,760
Decreases (increases) in current assets:					
Accounts receivable	257	-	-	1,413	1,670
Due from other funds	(4,594)	(4,400)	-	-	(8,994)
Due from other governmental units	(1,824)	881	155	484	(304)
Due from component units	(20)	-	-	-	(20)
Other current assets	14	-	-	-	14
Increases (decreases) in current liabilities:					
Accounts and contracts payable	(373)	102	(191)	(846)	(1,308)
Accrued wages	1	-	-	-	1
Accrued benefits	11	-	-	-	11
Due to other funds	(84)	(14)	(5)	(883)	(986)
Compensated absences	27	-	-	-	27
Other liabilities	40	2,468	299	(100)	2,707
(Decrease) in non current other liabilities	477	-	-	-	477
Net cash provided by (used in) operating activities	<u>\$ (1,628)</u>	<u>4,236</u>	<u>2,526</u>	<u>(1,537)</u>	<u>\$ 3,597</u>
Cash and cash equivalents at September 30, 2013 consists of the following:					
Equity in pooled cash and investments	\$ 9,572	5,816	4,019	-	\$ 19,407
Other cash and investments	1	-	-	-	1
Restricted assets:					
Equity in pooled cash and investments	21,225	4,419	2,459	4,458	32,561
Other cash and investments	3,530	-	-	-	3,530
Total cash and investments	<u>\$ 34,328</u>	<u>10,235</u>	<u>6,478</u>	<u>4,458</u>	<u>\$ 55,499</u>

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2013

(1) Reporting Entities

The Downriver Sewage Disposal System (Downriver), Rouge Valley Sewage Disposal System (Rouge Valley), Northeast Sewage Disposal System (Northeast), and Combined Sewer Overflow Basins (CSO Basins), collectively referred to as the Sewage Disposal Systems, are Enterprise funds of the Charter County of Wayne Michigan (the County). Rouge Valley and Northeast were organized by the Wayne County Board of Supervisors under the provisions of Act 342, of the Public Acts of Michigan of 1939, as amended for the purposes of sewage disposal. The Wayne County Board of Supervisors organized Downriver under the provisions of Act 185 of the Public Acts of Michigan of 1957, as amended for the purpose of sewage disposal. In 1998, the County decided to transfer portions of the Downriver and Rouge Valley systems into the CSO Basin, a separate fund, to more accurately track construction and operations costs for the communities served by that system. The Wayne County Department of Public Services – Environmental Services Group administers the various sewage disposal systems in accordance with the 1962 Downriver Agreement.

Direct salaries, wages, and employee benefits, plus materials and services supplied by outside vendors or other County operations, are charged to the system responsible for such expenses when incurred. Certain other services are shared among the systems and other County operations, with proportionate cost of these services being billed to the individual system based upon actual services provided.

These financial statements present only the Sewage Disposal Systems of the County and are not intended to present the financial position and results of operation of the County in conformity with United States generally accepted accounting principles.

The financial statements of the Sewage Disposal Systems have been included in the County's comprehensive annual financial report, reported as enterprise funds. The County's comprehensive annual report can be obtained by contacting the Office of Management and Budget, 500 Griswold, 20th Floor, Detroit, Michigan 48226.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The Sewage Disposal Systems are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

(b) Sewage Disposal Revenues

The Sewage Disposal Systems' revenues, except for the CSO Basins' are recorded and based on consumption. The CSO Basins' revenues are based on the recovery of operation and maintenance costs.

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2013

(2) Summary of Significant Accounting Policies, continued

Sewage disposal revenues are a result of the terms in the Downriver Agreement between Wayne County and communities within each sewage disposal system. These agreements designated Wayne County as operator of the Sewage Disposal Systems and obligate communities to reimburse each sewage disposal system for those operation and maintenance costs.

(c) Contractual services

Contractual services for the Rouge Valley and Northeast systems represent amounts billed for sewage treatment costs under long-term Sewage Disposal Agreements (“Agreement”) with the City of Detroit. The Agreement is renewable upon expiration and provides for costs for sewage treatment and disposal at rates established by the City of Detroit.

(d) Cash and investments

Cash resources of the individual funds of the County, except as specifically stated by ordinance, are pooled and invested. Interest on pooled investments is allocated among the respective funds based on average investment balances.

(e) Cash flows

For the purposes of the statement of cash flows, the County considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. All pooled investments qualify as cash equivalents.

(f) Bonds payable

Bonds payable are reported net of the loss on refunding. The County defers the difference between the reacquisition price and the net carrying amount of the old debt in a refunding. The deferred amount is amortized and recorded as a component of interest expense.

(g) Use of estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(h) Capital assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5-25 years
Equipment	5-25 years
Infrastructure (interceptors and appurtenances)	25-80 years

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2013

(2) Summary of Significant Accounting Policies, continued

Expenditures greater than \$5,000 for capital assets and for major renewals and betterments that extend the estimated useful life of the assets are capitalized; routine maintenance and repairs are charged to expense as incurred. All costs relating to the construction of facilities and other capital assets are capitalized, including salaries, employee benefits, and qualifying net bond interest costs during construction. At the time capital assets are disposed of, the costs and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in the results of operations.

(i) Due From Other Governmental Units

Due from Other Governmental Units, net, represents receivables from local municipalities and the State of Michigan, for sewage disposal and grant revenue. The balance sheet (aging) method is used to estimate the reserve for uncollectable.

(j) Compensated absences

The Sewage Disposal Systems' employees earn vacation and sick leave benefits based, in part, on length of service. Vacation pay is fully vested when earned and sick pay vests upon completion of two years of service. Upon separation from service, employees are paid accumulated vacation and sick pay depending upon the nature of the separation (death, retirement, or termination). Certain limitations are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding these limitations are forfeited. The amount of accumulated unpaid vacation and sick pay is recorded in other liabilities in the statement of net position.

(k) Pension and other post employment benefit costs (OPEB)

The County offers both pension and retiree health care benefits to retirees. The County receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. The Sewer funds report the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amounts, if any.

(l) Unearned revenue

Unearned revenue represents revenue that was billed and received but not yet earned. Accordingly, these revenues are deferred until such time as they are earned.

(m) Net position

The basic financial statements utilize a net position presentation. Net position is typically categorized as net investment in capital assets, restricted and unrestricted.

CHARTER COUNTY OF WAYNE, MICHIGAN
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For the year ended September 30, 2013

(2) Summary of Significant Accounting Policies, concluded

Net investment in capital assets consists of capital assets, net of accumulated depreciation. The outstanding balances of bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets would further reduce this component. If there were significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds would be offset by the outstanding debt.

Restricted net position consists of externally imposed constraints placed on net position by grantors, contributors, laws or regulations or constitutional provisions.

Unrestricted net position represents unrestricted liquid assets. While the Sewage Disposal Systems' management may have categorized and segmented portions for various purposes, the County Commission has the unrestricted authority to revise or alter these managerial decisions.

(3) Risk Management

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees.

The County is self-insured for workers' compensation, certain health and disability benefits and other claims, litigation, and assessments. Accruals for claims, litigation, and assessments are recorded in the government-wide and proprietary fund financial statements. These accruals are recorded in the fund financial statements, within the governmental funds, when the amounts are due and payable at year-end. All other amounts are recorded in the government-wide financial statements when probable of loss and estimable in amount.

Health insurance and workers' compensation claims that are probable of loss and estimable in amount are included in the government-wide, proprietary and fiduciary fund financial statements. Other claims consist of property damage and minor auto damage claims. The amount of claims liability is based on analyses performed by outside consultants and includes an estimate of incurred claims that have not yet been reported. The County purchases commercial insurance for claims in excess of coverage provided by the internal service funds and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

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(3) Risk Management, concluded

A reconciliation of the County's self-insured claims liability (in thousands) at September 30, 2013 is as follows:

	<u>Workers' Comp-ensation</u>	<u>Hospital-ization Insurance</u>	<u>Long-term disability</u>	<u>Other Claims</u>	<u>Total</u>
Estimated liability, September 30, 2011	\$ 8,132	\$ 4,092	\$ 331	\$ 345	\$ 12,900
Estimated claims incurred	(387)	78,330	581	121	78,645
Change in estimate for prior period claims	1,373	2,122	-	(95)	3,400
Claim payments	<u>(1,842)</u>	<u>(81,573)</u>	<u>(581)</u>	<u>(121)</u>	<u>(84,117)</u>
Estimated liability, September 30, 2012	7,276	2,971	331	250	10,828
Estimated claims incurred	(1,362)	72,793	815	311	72,557
Change in estimate for prior period claims	1,059	1,881	-	(250)	2,690
Claim payments	<u>(1,096)</u>	<u>(75,744)</u>	<u>(815)</u>	<u>(311)</u>	<u>(77,966)</u>
Estimated liability, September 30, 2013	<u><u>\$ 5,877</u></u>	<u><u>\$ 1,901</u></u>	<u><u>\$ 331</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8,109</u></u>

The liability for workers' compensation claims includes an estimate of loss and allocated loss adjustment expenses (ALAE). The estimate of loss is based on historical loss runs for the workers' compensation program through September 30, 2013, specific data for individual open claims, which occurred prior to 1985, and historical payroll data. ALAE represents the cost of legal fees, expert testimony, medical examinations, etc., that are associated with the defense and settlement of particular claims. Unallocated loss adjustment expenses are not included in the estimate.

A discount rate of 1.0 percent was used to determine the present value of unpaid workers' compensation claims.

(4) Cash and Investments

State statutes (Public Act 20 of 1943, as amended) place limitations on the nature of deposits and investments available to the County. Deposits include demand deposits, money markets, and certificates of deposits in federally insured banks, credit unions and savings and loan associations that have offices in the State of Michigan. Statutes authorize the County to invest in obligations of the U.S. Treasury or any agency or instrumentality of the United States, certain commercial paper, repurchase agreements, bankers' acceptances of United States banks, external investment pools (organized under Public Act 367 or 121), mutual funds composed of otherwise legal investments (except those with fluctuating per share value), and certain obligations of the State of Michigan or its political subdivisions.

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(4) Cash and Investments, continued

The investment policy adopted by the County, in accordance with Public Act 20 of 1943, as amended, authorizes investments in U.S. Treasuries, agencies, and instrumentalities, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings bank, or savings and loan association that is a member of the Federal Deposit Insurance Corporation (FDIC). The Treasurer may invest in commercial paper (rated A2/P2 or above), repurchase agreements, and bankers' acceptances. Investment pools organized under the Urban Cooperation Act of 1967, PA 7, MCL 124.501 to 124.512, under the local government investment pool Act of 1985, PA 121, MCL 129.141 to 129.150, and investment pools organized under the surplus funds investment act, 1982 PA 367, MCL 129.111 to 129.118, are also permitted. Investments may also be made in mutual funds registered under the Investment Company Act of 1940 Title I of Chapter 686, 54 stat. 789, 15 U.S.C. 80A-1 to 80A-3 and 80A-4 to 80A-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation, which maintain a rating of AAA or better by a nationally recognized statistical rating agency or that maintain a net \$1.00 share value. The foremost objective of the investment policy is the safety of investment principal.

The County Treasurer's cash and investments are subject to several types of risk as discussed below.

Custodial Credit Risk of Bank Deposits – Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the government's deposits may not be recovered. The County's investment policy requires that deposits over the \$250,000 insured limit in a commercial bank shall not equal more than 25% of the combined capital and surplus of that bank, savings bank, or savings and loan association and that institution must meet minimum standards of at least one standard rating service. If deposits in a credit union exceed the insured limit, that institution must meet the minimum standards of at least one standard rating service.

At year-end, the County portfolio had \$534.4 million of bank deposits (primarily demand deposits and certificates of deposit) with a carrying value of \$533.8 million that were largely uninsured and uncollateralized. Other primary government depository accounts (outside of the portfolio administered by the Treasurer) had a total bank balance and carrying value of \$5.7 million. The County believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the County evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with acceptable levels of estimated risk are used as depositories.

Custodial Credit Risk of Investments – Following is a summary of the County's investments as of September 30, 2013 (in thousands):

U.S. agency bonds	\$	7,000
Municipal bonds		31,475
Money market funds		14,587
		14,587
	\$	53,062

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(4) Cash and Investments, continued

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either the counterparty, or the counterparty's trust department or agent, but not in the County's name.

The County's investment policy requires that bonds, securities, and obligations of the United States or an agency or instrumentality or the United States must be held in the name of the County Treasurer, be purchased using the delivery versus payment procedure, and be held in third party safekeeping. Commercial paper should either be purchased directly from the issuing corporation, or be held in safekeeping by a third party institution. At year-end, none of the County's portfolio investments were subject to custodial credit risk due to one of the following:

- Investments were held by a third-party safe-keeper in the County's name,
- Investments were held by a trustee in the County's name,
- Investments were part of a mutual fund.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In compliance with State law, the County's investment policy limits investments of commercial paper to the two highest classifications established by not less than two standard rating services, and which mature not more than 270 days after the date of purchase. As of year-end, the credit quality ratings of pooled County investments (other than the U.S. government) are as follows (in thousands):

Investment Type	Fair Value	Rating	Organization
Government agency bonds	\$ 7,000	AA+	S&P
Municipal bonds	1,170	AA	S&P
Municipal bonds	4,110	AA-	S&P
Municipal bonds	920	AA1	Fitch
Municipal bonds	2,255	Aa2	Moody's
Municipal bonds	2,115	Aa2	S&P
Municipal bonds	2,500	MIG 1	Moody's
Municipal Bonds	18,405	SP-1	S&P
	<u>31,475</u>		
Money market funds	1,021	AAAm	S&P
Money market funds	12,594	Aaa-mf	Moody's
Money market funds	972	Not Rated	N/A
	<u>14,587</u>		
Total	<u>\$ 53,062</u>		

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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(4) Cash and Investments, continued

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributable to the magnitude of a government’s investments with a single issuer. Through its investment policy, the County places limits on the amount the County may invest in any one issuer, along with the minimal capital strength of those issuers. There are also limits as to the use of specific types of instruments, along with limits upon use of a single institution. These limits are as follows:

Limits using capital strength test – Maximum investment is 25% of combined capital and surplus position of that financial institution.

Limits based upon use of specific instruments –

Investment Type	Limit
Bankers’ acceptances	50%
Repurchase agreements	25%
U.S. government	100%
Commercial paper	60%
Money market funds, mutual funds and investment pools	50%
Certificates of deposit (bank)	50%
Certificates of deposit (credit union)	10%
Certificates of deposit (savings and loan associations)	10%

County limits based on use of a single issuer –

Investment Type	Limit
Bankers’ acceptances	25% of total portfolio
Repurchase agreements	10% of total portfolio
Certificates of deposit (bank)	33% of total portfolio
Certificates of deposit (S&L)	5% of total portfolio

At year-end, the County’s investment portfolio did not exceed the limits based on use of specific instruments or use of a single issuer.

Interest Rate Risk – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County’s investment policy addresses this risk by limiting the maturities on investments:

Fund/ Fund Type	Maximum Maturity
General fund, operating funds	One year
Debt service, special assessment, nonexpendable trust funds	Five years
Certificates of deposit (bank)	Four years
Certificates of deposit (S&L)	Varies

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(4) Cash and Investments, concluded

The County's investment policy also dictates that for operating funds, investment maturities shall be scheduled to coincide with projected cash flow needs, according to the following general guidelines:

<u>Length of Maturity</u>	<u>Percent of Portfolio (minimums)</u>
Under 30 days	10%
Under 90 days	25%
Under 270 days	50%
Under one year	100%

Investments as of September 30, 2013 adhere to the guidelines concerning limits on maturities of investments.

At year-end, the average maturities of investments subject to interest rate risk are as follows:

	<u>Fair Value (in thousands)</u>	<u>Average Maturity</u>
Government agency bond	\$ 7,000	841
Municipal bonds	<u>31,475</u>	434
Investments subject to risk	<u>\$ 38,475</u>	

Cash and investments in the pooled accounts are allocated to the respective County funds and accounts based on an internal ledger system maintained by the County Treasurer. At September 30, 2013, the Sewage Disposal System's pooled cash and investments totaled \$52.0 million, which is 10.5 percent of the portfolio. No pooled amounts are directly attributable to a specific bank account or investment.

(5) Restricted Assets

Restricted assets total approximately \$150.5 million and represent amounts restricted for use in replacement, improvement and construction projects, bond reserves, and amounts pledged toward the payment of outstanding bonds and notes. These amounts are summarized in the table that follows.

Bond principal due from municipalities are recorded upon the issuance of debt for construction of sewage facilities and systems. Such principal will be repaid by the benefited local communities in accordance with the debt services requirements of the County.

Bond and interest redemption equity in pooled cash and investments includes both bond reserve balances and collections from current billings to communities for upcoming debt payments.

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(5) **Restricted Assets, concluded**

Bond reserve balances are established at bond issuance with bond proceeds. The initial establishment and balances are in accordance with bond covenants associated with each bond issue.

	Business Type Activities				Total
	Downriver	Rouge Valley	Northeast Sewage	CSO Basins	
Equity in pooled cash and investments:					
Replacements and improvements	\$ 7,029	4,142	2,456	549	\$ 14,176
Construction	550	277		293	1,120
Bond and interest redemption	13,646	-	3	3,616	17,265
Total equity in pooled cash and investments	21,225	4,419	2,459	4,458	32,561
Other cash and investments -					
Bond and interest redemption	3,530	-	-	-	3,530
Accounts receivable -					
Bond and interest redemption	12,027	-	-	2,142	14,169
Bond principal due from local units	89,415	150	561	10,085	100,211
Total	\$ 126,197	4,569	3,020	16,685	\$ 150,471

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(6) Capital Assets

Capital assets are capitalized in the fund in which they are utilized. The following summarizes changes in capital assets for each system at September 30, 2013 (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers (net)</u>	<u>Disposals</u>	<u>Ending Balance</u>
Downriver Sewage Disposal System					
Capital assets, not being depreciated:					
Land	\$ 2,427	-	-	-	\$ 2,427
Construction in progress	31,611	5,920	(36,374)	-	1,157
	<u>34,038</u>	<u>5,920</u>	<u>(36,374)</u>	<u>-</u>	<u>3,584</u>
Capital assets, being depreciated:					
Land improvements	1,367	-	-	-	1,367
Buildings and improvements	19,124	37	-	-	19,161
Machinery, equipment and vehicles	948	294	-	-	1,242
Infrastructure	364,233	-	36,374	-	400,607
	<u>385,672</u>	<u>331</u>	<u>36,374</u>	<u>-</u>	<u>422,377</u>
Less accumulated depreciation for:					
Land improvements	(449)	(61)	-	-	(510)
Buildings and improvements	(17,447)	(135)	-	-	(17,582)
Machinery, equipment and vehicles	(626)	(91)	-	-	(717)
Infrastructure	(172,750)	(14,220)	-	-	(186,970)
	<u>(191,272)</u>	<u>(14,507)</u>	<u>-</u>	<u>-</u>	<u>(205,779)</u>
Total capital assets being depreciated, net	<u>194,400</u>	<u>(14,176)</u>	<u>36,374</u>	<u>-</u>	<u>216,598</u>
Downriver Sewage Disposal capital assets, net	<u>\$ 228,438</u>	<u>(8,256)</u>	<u>-</u>	<u>-</u>	<u>\$ 220,182</u>

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SEWAGE DISPOSAL SYSTEMS
NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2013

(6) Capital Assets, continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers (net)</u>	<u>Disposals</u>	<u>Ending Balance</u>
Rouge Valley Sewage Disposal System					
Capital assets, not being depreciated:					
Land	\$ 1,449	-	-	-	\$ 1,449
Construction in progress	20,983	-	(20,983)	-	-
	<u>22,432</u>	<u>-</u>	<u>(20,983)</u>	<u>-</u>	<u>1,449</u>
Capital assets, being depreciated:					
Buildings and improvements	9,043	-	-	-	9,043
Machinery, equipment and vehicles	281	20	-	-	301
Infrastructure	118,135	3	20,983	-	139,121
	<u>127,459</u>	<u>23</u>	<u>20,983</u>	<u>-</u>	<u>148,465</u>
Less accumulated depreciation for:					
Buildings and improvements	(6,593)	(271)	-	-	(6,864)
Machinery, equipment and vehicles	(135)	(23)	-	-	(158)
Infrastructure	(44,979)	(2,607)	-	-	(47,586)
	<u>(51,707)</u>	<u>(2,901)</u>	<u>-</u>	<u>-</u>	<u>(54,608)</u>
Total capital assets being depreciated, net	<u>75,752</u>	<u>(2,878)</u>	<u>20,983</u>	<u>-</u>	<u>93,857</u>
Rouge Valley Sewage Disposal System capital assets, net	<u>\$ 98,184</u>	<u>(2,878)</u>	<u>-</u>	<u>-</u>	<u>\$ 95,306</u>

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(6) Capital Assets, continued

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers (net)</u>	<u>Disposals</u>	<u>Ending Balance</u>
Northeast Sewage Disposal System					
Capital assets, not being depreciated:					
Land	\$ 11	-	-	-	\$ 11
Construction in progress	383	799	(11)	-	1,171
	<u>394</u>	<u>799</u>	<u>(11)</u>	<u>-</u>	<u>1,182</u>
Capital assets, being depreciated:					
Buildings and improvements	10,064	-	-	-	10,064
Machinery, equipment and vehicles	60	103	11	-	174
Infrastructure	1,157	-	-	-	1,157
	<u>11,281</u>	<u>103</u>	<u>11</u>	<u>-</u>	<u>11,395</u>
Less accumulated depreciation for:					
Buildings and improvements	(7,570)	(322)	-	-	(7,892)
Machinery, equipment and vehicles	(22)	(11)	-	-	(33)
Infrastructure	(493)	(18)	-	-	(511)
	<u>(8,085)</u>	<u>(351)</u>	<u>-</u>	<u>-</u>	<u>(8,436)</u>
Total capital assets being depreciated, net	<u>3,196</u>	<u>(248)</u>	<u>11</u>	<u>-</u>	<u>2,959</u>
Northeast Sewage Disposal System capital assets, net	<u>\$ 3,590</u>	<u>551</u>	<u>-</u>	<u>-</u>	<u>\$ 4,141</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers (net)</u>	<u>Disposals</u>	<u>Ending Balance</u>
CSO Basins					
Capital assets, not being depreciated:					
Construction in progress	\$ 922	84	-	-	\$ 1,006
CSO Basins capital assets, net	<u>\$ 922</u>	<u>84</u>	<u>-</u>	<u>-</u>	<u>\$ 1,006</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
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(6) Capital Assets, concluded

Depreciation expense was charged to the Sewage Disposal Systems as follows (in thousands):

Downriver	\$ 14,507
Rouge Valley	2,901
Northeast	<u>351</u>
	<u>\$ 17,759</u>

Construction in progress in the Sewage Disposal Systems involves various improvements. The costs expected to be incurred to complete these projects are estimated at \$19 million. These projects are expected to be funded by future contributions from federal grants, participating local governmental units, and assets restricted for improvements.

(7) Interfund Receivables and Payables

As of September 30, 2013, \$758,000 was due to the Delinquent Tax Revolving Fund from CSO Basins. This amount represents CSO Basin's liability for overdrawing its share of the pooled cash.

As of September 30, 2013, \$8,994 was due from the primary government for cash borrowings loaned to the County general fund. Of this amount, \$4,594 was due to the Downriver System and \$4,400 was due to the Rouge Valley System.

As of September 30, 2013, amounts due from component units in the amount of \$39,000 represent surveillance fees due from the Metro Airport.

(8) Long-Term Debt and Other Obligations

The principal and interest payments on all the sewage disposal system bonds, other than noted below, are payable from contributions of the participating local governmental units as set forth in the related sewage disposal system contracts and bond ordinances.

General Obligation Bonds

In 1994, the County authorized issuance of bonds to the Michigan Municipal Bond Authority (MMBA) Revolving Loan Fund for up to \$13.0 million at an interest rate of 2 percent which is due serially through 2015 for the Downriver Sewage Disposal System. The bonds are payable primarily from taxes which will be assessed by the Downriver Sewage System communities for their portion of the improvements. The County has pledged its full faith and credit for the additional security for the Series 1994 bonds. Through September 30, 2013, the County received \$12.6 million from the revolving loan fund for the projects supported by these bonds.

CHARTER COUNTY OF WAYNE, MICHIGAN
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(8) Long-Term Debt and Other Obligations, continued

In 1995, the County authorized the issuance of bonds to the MMBA Revolving Loan fund for up to \$84.0 million (project series 5117-23 through 24, 26 through 28 and 30 through 31) for the Downriver Sewage Disposal System. Through September 30, 2013, the County received \$82.9 million from the revolving loan fund and the outstanding amount on the bonds is \$29.8 million.

In September 1996 the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$29.25 million (project series 5117-18, 19 and 21) for the Downriver Sewage Disposal System at an interest rate of 2.25 percent which is due serially through 2018. The County has secondarily pledged its full faith and credit for repayment. The purpose issuance was to finance the following three projects: Wayne County Downriver regional tunnel sewer system, construction of the Eureka Road Relief Sewer and construction of a new electrical substation at the Wyandotte Wastewater Treatment Plant. Through September 30, 2013, the County received \$28.4 million from the revolving loan fund and the outstanding amount on the bonds is \$6.5 million.

In 1997 the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$2.5 million (project series 5117-29) for the Downriver Sewage Disposal System. Through September 30, 2013, the County has received \$2.5 million from the revolving loan fund and the outstanding amount on the bonds is \$735,000.

In 1998, the County authorized the issuance of bonds to the MMBA Revolving Loan fund for up to \$16.8 million (project 5117-25) for the Downriver Sewage Disposal System. Through September 30, 2013, the County has received \$16.8 million from the revolving loan fund and the outstanding amount on the bonds is \$6.7 million.

In April 1999, the County authorized issuance of limited tax general obligation refunding bonds to the MMBA Revolving Loan Fund for up to \$11.1 million for the Rouge Valley Waste Water Control System at an interest rate of 3.05 – 4.85 percent which is due serially through 2017. The purpose of the bonds is for refunding outstanding principal amount of \$9.7 million of the Rouge Valley Waste Water Control System Bonds, 1994 Series D, issued on December 21, 1994. The City of Dearborn has pledged its full faith and credit pursuant to Act 185. This bond is payable primarily from the proceeds of contractual payments received from the City of Dearborn Heights. At September 30, 2013, the outstanding amount on the bonds is \$3 million.

In April 1999, the County authorized issuance of limited tax general obligation refunding bonds to the MMBA Revolving Loan Fund for up to \$2.7 million for the Rouge Valley Waste Water Control System at an interest rate of 3.05 – 4.80 percent which is due serially through 2016. The purpose of the bonds is for refunding outstanding principal amount of \$2.45 million of the Rouge Valley Waste Water Control System Bonds, 1994 Series B, issued on October 13, 1994. The City of Inkster has pledged its full faith and credit pursuant to Act 185. This bond is payable primarily from the proceeds of contractual payments received from the City of Inkster. At September 30, 2013, the outstanding amount on the bonds is \$555,000.

In April 1999, the County authorized issuance of limited tax general obligation refunding bonds to the MMBA Revolving Loan Fund for up to \$6.39 million for the Rouge Valley Waste Water Control System at an interest rate of 3.05 – 4.80 percent which is due serially through 2017. The purpose of the bonds is for refunding outstanding principal amount of \$5.6 million of the Rouge Valley Waste Water Control

CHARTER COUNTY OF WAYNE, MICHIGAN
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(8) Long-Term Debt and Other Obligations, continued

System Bonds, 1994 Series C, issued on December 21, 1994. The City of Inkster has pledged its full faith and credit pursuant to Act 185. This bond is payable primarily from the proceeds of contractual payments received from the City of Inkster. At September 30, 2013, the outstanding amount on the bonds is \$1.25 million.

In 1999, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$23.9 million (project series 5117-01, 20 and 32) for the Downriver Sewage Disposal System. Through September 30, 2013, the County has received \$23.9 million from the revolving loan fund and the outstanding amount on the bonds is \$9 million.

In 1999, the County authorized the issuance of the 1999 Series A and B bonds to the MMBA Revolving Loan Fund. The Series 1999 A Bonds were issued for \$6.5 million to defease the higher interest rate on the 1994 A series bonds. The Series 1999 B Bonds were issued for \$15 million as partial completion bonds to finance approximately \$11 million deficit-funded construction costs and \$4 million in additional construction costs for the Downriver Sewage System communities for their portion of the improvements. The County has pledged its full faith and credit for the additional security. Through September 30, 2013, the outstanding amount on the bonds is \$5.3 million.

In 2000, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.1 million (project series 5117-34) for the Downriver Sewage Disposal System at an interest rate of 2.5 percent which is due serially through 2021. Through September 30, 2013, the County has received \$5.1 million from the revolving loan fund and the outstanding amount on the bonds is \$2.3 million.

In 2005, the County authorized the issuance of limited tax general obligation bonds to the MMBA Revolving Loan Fund for up to \$4.7 million (project series 5217-01) for the Downriver Sewage Disposal System at an interest rate of 2.25, 1.63 of which is due serially through 2026. The County has secondarily pledged its full faith and credit for repayment. The project involves renovation of the Downriver wastewater treatment facility's primary settling tanks and automation of the waste activated sludge control system. Through September 30, 2013, the County received \$4.7 million from the revolving loan fund and the outstanding amount on the bonds is \$3.2 million.

In August 2007, the County authorized issuance of Series 2007 B limited tax general obligation refunding bonds to the MMBA Revolving Loan Fund for \$9.9 million at an interest rate of 4.25 – 5.75 percent which is due serially through 2018. The purpose of the bonds were to advance refund \$10.1 million of the outstanding LGLP series 1995 B bonds. This bond is payable primarily from the proceeds of contractual payments received from the City of River Rouge. The County has pledged its full faith and credit for the additional security. At September 30, 2013, the outstanding amount on the bonds is \$5.5 million.

In 2007, the County authorized issuance of limited tax general obligation refunding bonds to the MMBA Revolving Loan Fund for \$15.8 million at an interest rate of 4.25 – 5.75 percent which is due serially through 2028. At September 30, 2013, the outstanding amount on the bonds is \$13.2 million.

In 1995, the County authorized issuance of limited tax general obligation Series 1995 A bonds to the MMBA Revolving Loan Fund for up to \$2.59 million (project series 5106-01) for the CSO Basin at interest rate of 2 percent which is due serially through 2016. The County has pledged its limited full faith

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(8) Long-Term Debt and Other Obligations, continued

and credit for repayment. Through September 30, 2013, the County has received \$2.59 million from the revolving loan fund and the outstanding amount on the bonds is \$455,000.

In 1995, the County authorized the issuance of limited tax general obligation Series 1995 A bonds to the MMBA Revolving Loan Fund for up to \$2.65 million (project series 5104-01) for the CSO Basins at interest rate of 2.25 percent which is due serially through 2016. This bond is payable primarily from the proceeds of contractual payments received from the City of Dearborn Heights. The County has pledged its limited full faith and credit for repayment. The project involves the construction of a 2.7 million gallon combined sewage retention/ treatment basin with a pumping station at the Warrendale site and approximately 2,500 linear feet reinforced concrete collector sewer from the service areas to the basin. Through September 30, 2013, the County has received \$2.65 million from the revolving loan fund and the outstanding amount on the bonds is \$475,000.

In September 1995, the County authorized the issuance of limited tax general obligation Series 1995 A bonds to the MMBA Revolving Loan Fund for up to \$5.86 million (project series 5123-01) for the City of River Rouge at an interest rate of 2.25 percent which is due serially through 2019. This bond is payable primarily from the proceeds of contractual payments received from the City of River Rouge. The City of River Rouge has pledged its full faith and credit for repayment and the County has pledged its limited full faith and credit for repayment. The project involves the construction of a 5.2 million gallon retention basin and pumping station, 66 inch and 108-inch influent sewers, 72 and 96 inch outfall sewers, demolition of existing facilities, site work, including all associated facilities and appurtenances, and all related work. Through September 30, 2013, the County has received \$5.86 million from the revolving loan fund and the outstanding amount on the bonds is \$1.7 million.

In 2009 the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$425 thousand (project series 5140-01) for the Rouge Valley Sewage Disposal System. Through September 30, 2013, the County received \$425,000 from the revolving loan fund and the outstanding amount on the bonds is \$150,000.

In September 2011, the County authorized the issuance of Series 2011 A bonds to the MMBA Revolving Loan Fund for up to \$325 thousand for the City of Dearborn Heights at interest rate of 2.5 percent which is due serially through 2028. The purpose of the bonds was to finance the cost of structural, sampling and disinfection improvements to the Dearborn Heights combined Sewage Overflow Retention Treatment Basin. This bond is payable primarily from the proceeds of contractual payments to be paid by the City of Dearborn Heights to the County. The County has pledged its full faith and credit for the repayment of the bonds. Through September 30, 2013, the County received \$275,000 from the revolving loan fund and the outstanding amount on the bonds is \$265,000.

In September 2011, the County authorized the issuance of Series 2011 A bonds to the MMBA Revolving Loan Fund for up to \$760,000 for the City of River Rouge at interest rate of 2.5 percent which is due serially through 2032. The purpose of the bonds were to finance the cost of the segment one of structural, sampling and disinfection improvements to the River Rouge combined Sewage Overflow Retention Treatment Basin. This bond is payable primarily from the proceeds of contractual payments to be paid by the City of River Rouge to the County. The County has pledged its full faith and credit for the repayment of the bonds. Through September 30, 2013, the County received \$760,000 from the revolving loan fund and the outstanding amount on the bonds is \$730,000.

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(8) Long-Term Debt and Other Obligations, continued

Revenue Bonds

The County has pledged future Downriver Sewage Disposal System revenues, net of specified operating expenses, to repay the outstanding balance of \$3.6 million of Downriver Sewage Disposal System 2007D revenue bonds and \$40.1 million of State Revolving Loan Fund Bonds for SRF Projects 5217 Series 02 through 05, and Project 5217-15 (collectively the “5217 bonds”), payable through 2035. Annual principal and interest payments on the revenue bonds are expected to require less than 100 percent of net revenues. Principal and interest paid on the bonds for the current year and total customer net revenues were approximately \$3.0 million and \$3.8 million, respectively.

In September 2008, the County authorized issuance of Downriver Sewage Disposal System revenue bonds Series 2008 A, B, C and D to the MMBA for up to \$32.09 million at an interest rate of 2.50 percent which is due serially through 2030. The purpose of the bonds was for improvements to the Downriver Wastewater Treatment Facility in Wyandotte. The principal and interest for these bonds shall be primarily payable from the charges for sewage disposal services assessed against the communities. The revenue bonds are secondarily secured by the limited tax full faith and credit pledge of the County.

In December 2009, the MMBA approved the County’s loan application for up to \$19.6 million for projects to upgrade and improve the Rouge Valley Sewage Disposal System. Up to forty percent of the loaned amount is forgiven under the American Recovery and Reinvestment Act of 2009 (ARRA). As of September 30, 2013 the County received \$19.0 million of MMBA bond funds for this project, \$7.62 million of which are ARRA funds. The County recognized \$11.4 million of debt for the Rouge Valley Disposal System. These loans are limited tax general obligations of the County of Wayne, but are payable through 2031 from sewage revenues to be received from the communities served by the Rouge Valley Sewage Disposal System. Annual principal and interest payments on the revenue bonds are expected to require less than 100 percent of net revenues. Principal and interest paid on the bonds for the current year and total customer net revenues were approximately \$700,000 and \$5.2 million, respectively.

In September 2011, the County authorized issuance of Downriver Sewage Disposal System revenue bonds Series 2011 A to the MMBA up to \$14.1 million at interest rate of 2.50 percent which is due serially through 2033. The principal and interest for these bonds shall be primarily payable from the charges for sewage disposal services assessed against the communities pursuant to the Downriver Sewage Disposal System Contract dated as of March 1, 1962 as amended. The revenue bonds were secondarily secured by the limited tax full faith and credit pledge of the County. The project involves the improvements of Wastewater Treatment Plant located in Wyandotte, including influent pump station modification, primary settling tank upgrades and additions, aeration basin rehabilitation and associated improvements and electrical substation improvements.

In September 2013, the Michigan Finance Authority (MFA) approved the County’s loan application for up to \$13.4 million for projects to upgrade and improve the Northeast Sewage Disposal System. As of September 30, 2013 the County received \$1.2 million of MFA bond funds for this project. Subsequent to September 30, 2013 the County has received \$6,000 in additional funds. The County has pledged future Northeast Sewage Disposal System revenues, net of specified operating expenses, to repay the outstanding balance of \$1.1 million of Northeast Sewage Disposal revenue bonds, payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 100 percent of net

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revenues. Principal and interest paid on the bonds for the current year and total customer net revenues were \$588,209 and \$1.7 million, respectively.

In September 2013, the MFA approved the County's loan application for up to \$11.96 million for projects to improve the Downriver Sewage Disposal System's Wastewater Treatment Facility. As of September 30, 2013 the County received \$139,000 of MFA bond funds for this project. Subsequent to September 30, 2013 the County has received \$11,000 in additional funds.

The annual requirements of principal and interest on the debt outstanding at September 30, 2013 are summarized as follows:

<u>Downriver Sewage Disposal System</u>			<u>Rouge Valley Sewage Disposal System</u>		
(in thousand)			(in thousand)		
Year Ended			Year Ended		
<u>30-Sep</u>	<u>Principal</u>	<u>Interest</u>	<u>30-Sep</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 17,056	\$ 3,769	2014	\$ 495	\$ 260
2015	16,652	3,329	2015	505	247
2016	16,293	2,891	2016	515	235
2017	16,384	2,466	2017	530	221
2018	14,461	2,035	2018	540	208
2019-2023	30,130	6,190	2019-2023	2,815	834
2024-2028	20,455	2,662	2024-2028	3,160	462
2029-2033	6,205	251	2029-2033	2,088	79
Total	<u>\$ 137,636</u>	<u>\$ 23,593</u>	Total	<u>\$ 10,648</u>	<u>\$ 2,546</u>

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SEWAGE DISPOSAL SYSTEMS
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(8) Long-Term Debt and Other Obligations, concluded

<u>Northeast Sewage Disposal System</u>			<u>Combined Sewer Overflow Basins</u>		
(in thousand)			(in thousand)		
Year Ended			Year Ended		
<u>30-Sep</u>	<u>Principal</u>	<u>Interest</u>	<u>30-Sep</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 575	\$ 63	2014	\$ 3,535	\$ 541
2015	\$ -	\$ 46	T 2015	3,700	377
2016	\$ 555	\$ 35	2016	2,895	213
2017	\$ 565	\$ 13	2017	1,570	98
2018	30	-	2018	1,622	28
Total	<u>\$1,725</u>	<u>\$157</u>	2019-2023	255	83
			2024-2028	290	49
			2029-2033	215	13
			Total	<u>\$14,082</u>	<u>\$1,402</u>

The details of the long term debt for the Sewer Disposal Systems are as follows:

	<u>Beginning</u>			<u>Ending</u>	<u>Due Within</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Business-type activities					
General obligation bonds	\$ 126,907	\$ 55	\$ (18,788)	\$ 108,174	\$ 19,036
Revenue bonds	50,698	7,704	(2,485)	55,917	2,625
Claims and judgments	50	-	(50)	-	-
Compensated absences	311	338	(310)	339	223
Deferred amounts:					
For issuance premiums	880	-	(58)	822	59
On refunding	(698)	220	-	(478)	(185)
	<u>\$ 178,148</u>	<u>\$ 8,317</u>	<u>\$ (21,691)</u>	<u>\$ 164,774</u>	<u>\$ 21,758</u>

CHARTER COUNTY OF WAYNE, MICHIGAN
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(9) Pension Plans

The Sewage Disposal Systems contribute to the Wayne County Employees' Retirement System (WCERS), a single-employer public employee retirement system, which is governed by the Wayne County Retirement Ordinance, as amended. The Retirement System provides five defined benefit retirement options, four of which are contributory (together, the Defined Benefit Plan) and a Defined Contribution Plan. The Retirement System provides retirement, survivor, and disability benefits to substantially all Sewage Disposal System employees. The Plan issues a publicly available financial report that is included in the Comprehensive Annual Financial Report for the County of Wayne, Michigan. Copies of financial statements for each plan can be obtained from the Wayne County Employees' Retirement System, 28 W. Adams, Suite 1900, Detroit, Michigan 48226.

The obligation to contribute to and maintain the System for these employees was established by the Wayne County Retirement Ordinance and by negotiations with the County's collective bargaining units. The ability to amend the Plans rests with the Wayne County Board of Commissioners. Contributions from employees represent a percent of gross wages contingent on the ordinance and/or collective bargaining agreements.

The Sewage Disposal Systems contribute to the Defined Benefit Plan at an actuarially required rate of 48.74% for fiscal year 2013 for employees enrolled in the Defined Benefit Plan. The Sewage Disposal Systems contribute to the Defined Contribution Plan based on matching contributions as a percent of wages specified by the Defined Contribution Plan, ordinance and/or collective bargaining agreements for employees enrolled in the Defined Contribution Plan. The Sewage Disposal Systems' contributions to the Defined Benefit and Defined Contribution Plans were \$854,000 for fiscal year 2013.

(10) Other Post-Employment Benefit Obligations

Plan Description

The County provides other post retirement benefits under a single-employer defined benefit plan. The plan provides hospitalization and other health insurance for Wayne County retirees under the age of 65 and their dependents, pursuant to agreements with various collective bargaining units or other actions of the Wayne County Commission or Wayne County Retirement Board. In addition, the County covers the cost of federal Medicare premiums and supplemental hospitalization for retirees over 65 and their eligible dependents. The County also pays the cost of basic retiree life insurance, up to \$5,000 per employee, on a pay as you go basis. Substantially all County employees may become eligible for benefits if they reach normal retirement age while employed by the County. This plan covers all retirees of Wayne County and Wayne County Airport Authority's pre-2002 retirees. The Plan has 3,749 employees in active service and 5,017 retired employees and beneficiaries currently receiving benefits as of September 30, 2012 with the results actuarially rolled back to October 1, 2011 on a "no gain/loss" basis. The plan does not issue separate financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For the year ended September 30, 2013

(10) Other Post-Employment Benefit Obligations, continued

Funding Policy

These benefits are funded on a pay-as-you-go basis. The County, including the Airport Authority, paid a total of approximately \$44.8 million for health care and retirees' life insurance benefits for the fiscal year ended September 30, 2013, and an additional \$9.1 million for prefunding of certain component units and proprietary and fiduciary funds. There is no required contribution for the plan members.

Annual OPEB Costs and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the *annual required contribution* (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standard's Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the component of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

	Wayne County Pre and Post 2002 Retirees *
	*
Annual required contribution	\$ 89,439
Interest on net OPEB obligation (asset)	7,240
Adjustment to annual required contribution	(7,193)
Net OPEB cost (expense)	89,486
Contributions made	
Payments of current premiums	(44,802)
Advance funding	(9,106)
Increase (decrease) in net OPEB obligation (asset)	35,578
Net OPEB obligation (asset), beginning of year	180,993
Net OPEB obligation, end of year	\$ 216,571

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Changes in the Sewage Disposal Systems' OPEB obligation for the year ended September 30, 2013 are as follows (in thousands):

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Downriver Sewage Disposal System	\$ 1,877	477	-	\$ 2,354
CSO Basins	102	-	(102)	-
Total OPEB Obligation	<u>\$ 1,979</u>	<u>477</u>	<u>(102)</u>	<u>\$ 2,354</u>

None of the amounts are due within one year.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and prior years were as follows:

Three-Year Trend Information (Dollar amount in thousands)			
Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011 ⁽¹⁾	90,504	32.4%	139,501
2012 ⁽²⁾	86,712	52.1%	180,993
2013	89,486	60.2%	216,571

(1) Excludes Airport Authority pre-2002 retirees

(2) Includes pre-2002 Airport Authority retirees

Annual required contributions made in fiscal year 2013 include \$260 thousand in interest earned on the prior year OPEB asset and \$141 thousand and \$154 thousand, respectively, for interest earned in 2012 and 2011.

The OPEB cost attributable to the Sewage Disposal Systems for the year ended September 30, 2013 was \$478 thousand. The year-end net OPEB obligation recorded was \$2.35 million.

Funding Status and Funding Progress

The funded status as of October 1, 2011 for the Wayne County plan, the date of the most recent actuarial valuation, was as follows (in thousands):

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(10) Other Post-Employment Benefit Obligations, concluded

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll</u>
10/1/2009	-	\$ 1,513,956	\$ 1,513,956	0.0%	N/A	N/A
10/1/2011	-	1,531,491	1,531,491	0.0%	N/A	N/A
10/1/2012	-	1,568,535	1,568,535	0.0%	N/A	N/A

*Wayne County and the Airport Authority have a contractual agreement whereby the Airport Authority is responsible for 11.25 percent of the unfunded actuarial accrued liability in this plan. This percentage is for the coverage of the pre-2002 Airport Authority retirees.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2011 actuarial valuations for the Wayne County plan, the actuarial cost method used was the projected unit credit method with linear proration to decrement. The actuarial assumptions included a 4 percent investment rate of return, which is the rate of the expected long-term investment returns on the plans and a projected 3 percent salary increase. The plan used an annual healthcare cost trend rate of 9 percent initially, reduced to an ultimate rate of 5 percent after eight years, and a general inflation rate of 3 percent. The UAAL for the plan is being amortized on an open basis using the straight-line method (level percent of pay amortized annually) over thirty years.

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(11) Commitments and Contingencies

Claims, litigation, and assessments asserted against the County, which are probable of loss and estimable in amount, are reflected in the County's government-wide and proprietary fund financial statements at September 30, 2013. In the governmental fund financial statements, liabilities are accrued when costs are settled and the amount is due and payable.

The County receives funds from other governmental units to finance County operations and certain grant projects. These amounts received or receivable are subject to audit and adjustment, based on compliance with applicable agreements and other regulatory requirements. Any disallowed amounts, including those already collected, may constitute a liability of the applicable fund. The amount, if any that may be disallowed by grantors or other governmental units cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in a number of other lawsuits, a party in other disputes, and subject to claims and property tax appeals, and other potential liabilities that have resulted from its activities in providing services to the citizens of Wayne County. The ultimate unrecorded effect on the County's financial statements of the resolution of these various matters is, in the opinion of management, not expected to be material.

(12) Subsequent Events

Management evaluated transactions and events for potential recognition and disclosure after the balance sheet date through the date of the issuance of the financial statements.

In September 2013 the Michigan Finance Authority approved the County's loan application for up to \$13.4 million for projects to upgrade and improve the Northeast Sewage Disposal System. As of September 30, 2013 the County received \$1.2 million of MFA bond funds for this project.

(13) Upcoming Reporting Changes

Statement No. 65, Items Previously Reported as Assets and Liabilities

In March 2012, the GASB issued GASB Statement No. 65, Items Previously Reported as Assets and Liabilities, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the County beginning October 1, 2013.

Statement No. 67, Financial Reporting for Pension Plans

In June 2012, GASB Statement No. 67, Financial Reporting for Pension Plans, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and No. 50, Pension Disclosures, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer

CHARTER COUNTY OF WAYNE, MICHIGAN
SEWAGE DISPOSAL SYSTEMS
NOTES TO THE BASIC FINANCIAL STATEMENTS
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(13) Upcoming Reporting Changes, concluded

Contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the County, this standard will be adopted for the year ended September 30, 2014.

Statement No. 68, Accounting and Financial Reporting for Pensions

In June 2012, the GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary and discretely presented component units' statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ended September 30, 2015.

Statement No. 69, Government Combinations and Disposals of Government Operations

In January 2013, the GASB issued GASB statement No. 69, Government Combinations and Disposals of Government Operations which provides detailed requirements for the accounting and disclosure of various types of government combinations, such as mergers, acquisitions, and transfers of operations. The guidance available previously was limited to nongovernmental entities, and therefore did not provide practical examples for situations common in government-specific combinations and disposals. The accounting and disclosure requirements for these events vary based on whether a significant payment is made, the continuation or termination of services, and the legal structure of the new or continuing entity. GASB Statement No. 69 is required to be adopted for years beginning after December 15, 2014. For the County, this standard will be adopted for the year ended September 30, 2015.

Statement No. 70, Non-exchange Financial Guarantees

In April 2013, the GASB issued GASB statement no. 70, Non-exchange Financial Guarantees. This standard addresses the accounting and disclosure of situations in which one government offers a financial guarantee on behalf of another government, not-for-profit organization, private entity, or individual without directly receiving equal or approximately equal value in exchange (a non-exchange transaction). A government that extends a non-exchange financial guarantee will be required to recognize a liability when qualitative factors and/or historical data indicate that it is "more likely than not" that the government will be required to make a payment on the guarantee. It further requires governments to disclose any outstanding financial guarantees in the notes to the financial statements. GASB Statement No. 70 is required to be adopted for years beginning after June 15, 2014. For the County, this standard will be adopted for the year ended September 30, 2015.



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