

CHARTER COUNTY OF WAYNE,  
MICHIGAN

SEWAGE DISPOSAL SYSTEMS

Year Ended  
September 30,  
2014

Financial  
Statements

# CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

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## INDEPENDENT AUDITORS' REPORT

April 27, 2015

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan  
Detroit, Michigan

We have audited the accompanying financial statements of the *Wayne County Sewage Disposal Systems (the "Systems")*, *enterprise funds of the Charter County of Wayne, Michigan*, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Systems' basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Wayne County Sewage Disposal Systems, enterprise funds of the Charter County of Wayne, Michigan, as of September 30, 2014, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Reporting Entity*

As discussed in Note 1, the financial statements present only the Wayne County Sewage Disposal Systems and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne, Michigan, and the changes in its financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Rehmann Lobson LLC*

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

**STATEMENT OF NET POSITION**

September 30, 2014

(in thousands)

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
<b>Assets</b>					
<b>Current assets:</b>					
Equity in pooled cash and investments	\$ 14,998	\$ 861	\$ -	\$ 1,007	\$ 16,866
Other cash and investments	1	-	-	-	1
<b>Receivables:</b>					
Accounts	196	66	3,134	-	3,396
Due from component units	-	64	-	-	64
Due from other governmental units	2,766	13,444	2,089	1,211	19,510
Less allowance for uncollectable accounts	(130)	-	-	-	(130)
Prepayments and deposits	106	-	-	-	106
<b>Restricted assets:</b>					
Equity in pooled cash and investments	22,168	3,978	1,889	3,684	31,719
Other cash and investments	2,523	-	-	-	2,523
Accounts receivable	12,653	-	-	1,662	14,315
Bond principal due from municipalities	76,566	125	-	8,602	85,293
<b>Total current assets</b>	<b>131,847</b>	<b>18,538</b>	<b>7,112</b>	<b>16,166</b>	<b>173,663</b>
<b>Noncurrent assets:</b>					
Capital assets not being depreciated	8,567	1,927	8,999	433	19,926
Capital assets being depreciated	202,374	91,089	2,614	-	296,077
<b>Total noncurrent assets</b>	<b>210,941</b>	<b>93,016</b>	<b>11,613</b>	<b>433</b>	<b>316,003</b>
<b>Total assets</b>	<b>342,788</b>	<b>111,554</b>	<b>18,725</b>	<b>16,599</b>	<b>489,666</b>
<b>Deferred outflows of resources</b>					
Deferred charge on refunding	-	-	-	293	293

continued...

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

**STATEMENT OF NET POSITION (concluded)  
September 30, 2014  
(in thousands)**

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
<b>Liabilities</b>					
Current liabilities:					
Accounts and contracts payable	\$ 1,818	\$ 125	\$ 826	\$ 7	\$ 2,776
Accrued wages and benefits	150	-	-	-	150
Due to other funds	-	-	77	-	77
Due to component units	31	-	-	-	31
Due to other governmental units	-	-	-	-	-
Long-term obligations, current	16,689	505	-	-	17,194
Compensated absences, current	217	-	-	-	217
Other liabilities	366	8,500	4,007	32	12,905
Payable from restricted assets:					
Accounts payable	1,000	-	190	3,477	4,667
Other liabilities	13,874	-	-	-	13,874
Accrued interest	390	-	4	173	567
<b>Total liabilities payable from restricted assets</b>	<b>34,535</b>	<b>9,130</b>	<b>5,104</b>	<b>3,689</b>	<b>52,458</b>
Noncurrent liabilities:					
Other postemployment benefits	2,732	-	-	-	2,732
Bonds and notes payable due in more than one year	9,152	5,545	5,997	528	21,222
Payable from restricted assets - bonds and notes payable:					
Due in less than one year	-	-	-	3,716	3,716
Due in more than one year	98,646	4,103	1,695	6,582	111,026
<b>Total noncurrent liabilities</b>	<b>110,530</b>	<b>9,648</b>	<b>7,692</b>	<b>10,826</b>	<b>138,696</b>
<b>Total liabilities</b>	<b>145,065</b>	<b>18,778</b>	<b>12,796</b>	<b>14,515</b>	<b>191,154</b>
Net position					
Net investment in capital assets	86,454	82,863	3,921	433	173,671
Unrestricted	111,269	9,913	2,008	1,944	125,134
<b>Total net position</b>	<b>\$ 197,723</b>	<b>\$ 92,776</b>	<b>\$ 5,929</b>	<b>\$ 2,377</b>	<b>\$ 298,805</b>

concluded.

See accompanying notes to the 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, 2014  
(in thousands)

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
<b>Operating revenues</b>					
Sewage disposal charges	\$ 15,834	\$ 52,423	\$ 22,851	\$ 275	\$ 91,383
Industrial surcharges	1,863	-	-	-	1,863
Other charges for services	4,026	-	-	1,728	5,754
Other revenue	2	-	-	-	2
<b>Total operating revenues</b>	<b>21,725</b>	<b>52,423</b>	<b>22,851</b>	<b>2,003</b>	<b>99,002</b>
<b>Operating expenses</b>					
Personnel	2,601	-	-	-	2,601
Fringe benefits	1,355	-	-	-	1,355
Pension	956	-	-	-	956
Materials and supplies	2,489	30	17	84	2,620
Contractual services	5,196	53,030	21,271	1,535	81,032
Travel	9	-	-	-	9
Miscellaneous operating	4,146	104	424	309	4,983
Rentals	59	22	323	54	458
Depreciation	14,314	2,838	356	-	17,508
<b>Total operating expenses</b>	<b>31,125</b>	<b>56,024</b>	<b>22,391</b>	<b>1,982</b>	<b>111,522</b>
<b>Operating income (loss)</b>	<b>(9,400)</b>	<b>(3,601)</b>	<b>460</b>	<b>21</b>	<b>(12,520)</b>
<b>Nonoperating revenues (expenses)</b>					
Investment earnings (loss)	171	21	15	150	357
Collections from participating local units	2,139	3	17	573	2,732
Interest expense	(3,778)	(260)	(80)	(706)	(4,824)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,468)</b>	<b>(236)</b>	<b>(48)</b>	<b>17</b>	<b>(1,735)</b>
<b>Net income (loss)</b>	<b>(10,868)</b>	<b>(3,837)</b>	<b>412</b>	<b>38</b>	<b>(14,255)</b>
<b>Transfers in</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>748</b>	<b>748</b>
<b>Transfers out</b>	<b>-</b>	<b>(748)</b>	<b>-</b>	<b>-</b>	<b>(748)</b>
<b>Change in net position</b>	<b>(10,868)</b>	<b>(4,585)</b>	<b>412</b>	<b>786</b>	<b>(14,255)</b>
<b>Net position at October 1, 2013, as restated</b>	<b>208,591</b>	<b>97,361</b>	<b>5,517</b>	<b>1,591</b>	<b>313,060</b>
<b>Net position at September 30, 2014</b>	<b>\$ 197,723</b>	<b>\$ 92,776</b>	<b>\$ 5,929</b>	<b>\$ 2,377</b>	<b>\$ 298,805</b>

See accompanying notes to the financial statements.

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

**Statement of Cash Flows  
For the Year Ended September 30, 2014  
(in thousands)**

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 23,419	\$ 48,918	\$ 19,117	\$ 2,576	\$ 94,030
Payments to suppliers	(10,663)	(56,647)	(22,447)	(973)	(90,730)
Payments to employees	(2,592)	-	-	-	(2,592)
Payments for benefits	(2,048)	-	-	-	(2,048)
Receipts from (payments to) customers	4,594	4,400	-	-	8,994
Receipts from (payments to) other funds	70	(64)	77	(758)	(675)
<b>Net cash provided by (used in) operating activities</b>	<b>12,780</b>	<b>(3,393)</b>	<b>(3,253)</b>	<b>845</b>	<b>6,979</b>
<b>Cash flows from noncapital financing activities:</b>					
Transfers (to) from other funds	-	(748)	-	748	-
<b>Cash flows from capital and related financing activities:</b>					
Repayment of long-term debt	(17,056)	(495)	(575)	(3,530)	(21,656)
Proceeds from issuance of long term debt	3,419	-	6,542	-	9,961
Bond principal received from municipalities	12,849	25	561	1,483	14,918
Capital transfers from other funds	2,139	3	-	-	2,142
Interest received from participating local units	-	-	17	573	590
Acquisition of capital assets	(5,073)	(548)	(7,828)	(462)	(13,911)
Disposition of capital assets	-	-	-	1,035	1,035
Interest paid	(3,867)	(261)	(68)	(609)	(4,805)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>(7,589)</b>	<b>(1,276)</b>	<b>(1,351)</b>	<b>(1,510)</b>	<b>(11,726)</b>
Cash flows from investing activities - investment earning	171	21	15	150	357
<b>Change in cash and cash equivalents</b>	<b>5,362</b>	<b>(5,396)</b>	<b>(4,589)</b>	<b>233</b>	<b>(4,390)</b>
Cash and cash equivalents at October 1, 2013	34,328	10,235	6,478	4,458	55,499
<b>Cash and cash equivalents at September 30, 2014</b>	<b>\$ 39,690</b>	<b>\$ 4,839</b>	<b>\$ 1,889</b>	<b>\$ 4,691</b>	<b>\$ 51,109</b>
<b>Cash and cash equivalents at September 30, 2014 consists of the following:</b>					
Equity in pooled cash and investments	\$ 14,998	\$ 861	\$ -	\$ 1,007	\$ 16,866
Other cash and investments	1	-	-	-	1
Restricted assets:					
Equity in pooled cash and investments	22,168	3,978	1,889	3,684	31,719
Other cash and investments	2,523	-	-	-	2,523
<b>Total cash and investments</b>	<b>\$ 39,690</b>	<b>\$ 4,839</b>	<b>\$ 1,889</b>	<b>\$ 4,691</b>	<b>\$ 51,109</b>

continued...



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

**Statement of Cash Flows (concluded)  
For the Year Ended September 30, 2014  
(in thousands)**

Reconciliation of operating loss to net cash provided by  
(used in) operating activities

Operating income (loss)	\$ (9,400)	\$ (3,601)	\$ 460	\$ 21	\$ (12,520)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	14,314	2,838	356	-	17,508
Decreases (increases) in current assets:					
Accounts receivable	(751)	(66)	(3,134)	480	(3,471)
Due from other funds	4,594	4,400	-	-	8,994
Due from other governmental units	2,445	(3,440)	(600)	93	(1,502)
Due from component units	39	(64)	-	-	(25)
Other current assets	4	-	-	-	4
Increases (decreases) in current liabilities:					
Accounts and contracts payable	(347)	(13)	780	983	1,403
Accrued wages	9	-	-	-	9
Accrued benefits	6	-	-	-	6
Due to other funds	-	-	77	(758)	(681)
Due to component units	31	-	-	-	31
Compensated absences	(121)	-	-	-	(121)
Other liabilities	1,579	(3,447)	(1,192)	26	(3,034)
Other non current liabilities	378	-	-	-	378
	<u>12,780</u>	<u>(3,393)</u>	<u>(3,253)</u>	<u>845</u>	<u>6,979</u>
Net cash provided by (used in) operating activities	<u>\$ 12,780</u>	<u>\$ (3,393)</u>	<u>\$ (3,253)</u>	<u>\$ 845</u>	<u>\$ 6,979</u>

concluded.

See accompanying notes to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

# CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

## Notes to the Basic Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 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 (the Systems), are enterprise funds of the Charter County of Wayne, Michigan (the County). The County owns and operates these systems and basins in accordance with the enabling legislation and service agreements.

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 the 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.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

##### *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.

##### *Sewage Disposal Revenues*

The Sewage Disposal Systems' revenues are recorded and based on consumption. The CSO Basins' revenues are based on the recovery of operation and maintenance costs from the cities it serves.

##### *Contractual Services*

Contractual services for the Rouge Valley and Northeast systems represent amounts billed for sewage treatment and disposal costs based on rates established by the City of Detroit.

##### *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.

# CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

## Notes to the Basic Financial Statements

### *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.

### *Bonds Payable*

Bonds payable represents the total outstanding bonded debt of the Systems and are reported net of applicable bond premium discounts.

### *Deferred Outflows*

The Systems defer 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. The unamortized costs are reported as deferred outflows of resources.

### *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.

### *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:

	<u>Years</u>
Building and improvements	5-25
Equipment	5-25
Infrastructure (interceptors and appurtenances)	25-80

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.

### *Due from Other Governments*

Due from other governmental units 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.

# CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

## Notes to the Basic Financial Statements

### *Compensated Absences*

The 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.

### *Pension and Other Postemployment Benefits (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 Systems 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.

### *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.

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 debt proceeds at year-end, the debt would be offset by the unspent proceeds.

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

Unrestricted net position represents unrestricted liquid assets. While the 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.

### **Risk Management**

The Systems participate in the County's self-insurance program for its various risk exposure coverages and employee insurance benefits. See the County's comprehensive annual financial report for further discussion of this program.

## **2. CASH AND INVESTMENTS**

At year-end, the carrying amount of the Systems' pooled cash and investments, which were deposited entirely in the County Treasurer's internal cash management pool except for \$2.5 million in separately held demand deposit accounts, was \$48.6 million. Because it is infeasible to allocate risk to individual funds or pool participants, aggregate cash and investment categories are presented in the County's basic financial statements.

# CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

## Notes to the Basic Financial Statements

### 3. RESTRICTED ASSETS

Restricted assets total approximately \$133.9 million and represent amounts restricted for use in replacement, improvement and construction projects (\$11.1 million) and bond reserves and amounts pledged toward the payment of outstanding bonds and notes (\$122.8 million).

Bond principal due from municipalities is 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.

### 4. 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, 2014 (in thousands):

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Downriver Sewage Disposal System</b>				
Capital assets not being depreciated:				
Land	\$ 2,427	\$ -	\$ -	\$ 2,427
Construction in progress	1,157	4,983	-	6,140
	<u>3,584</u>	<u>4,983</u>	<u>-</u>	<u>8,567</u>
Capital assets being depreciated:				
Land improvements	1,367	-	-	1,367
Buildings and improvements	19,162	27	-	19,189
Machinery, equipment and vehicles	1,242	63	-	1,305
Infrastructure	400,607	-	-	400,607
	<u>422,378</u>	<u>90</u>	<u>-</u>	<u>422,468</u>
Less accumulated depreciation for:				
Land improvements	(511)	(62)	-	(573)
Buildings and improvements	(17,582)	(135)	-	(17,717)
Machinery, equipment and vehicles	(717)	(95)	-	(812)
Infrastructure	(186,971)	(14,021)	-	(200,992)
	<u>(205,781)</u>	<u>(14,313)</u>	<u>-</u>	<u>(220,094)</u>
Total capital assets being depreciated, net	<u>216,597</u>	<u>(14,223)</u>	<u>-</u>	<u>202,374</u>
<b>Downriver Sewage Disposal System capital assets, net</b>	<u>\$ 220,181</u>	<u>\$ (9,240)</u>	<u>\$ -</u>	<u>\$ 210,941</u>

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

**Notes to the Basic Financial Statements**

	Beginning Balance	Additions	Deductions	Ending Balance
<b>Rouge Valley Sewage Disposal System</b>				
Capital assets not being depreciated:				
Land	\$ 1,449	\$ -	\$ -	\$ 1,449
Construction in progress	-	478	-	478
	<u>1,449</u>	<u>478</u>	<u>-</u>	<u>1,927</u>
Capital assets being depreciated:				
Buildings and improvements	9,043	-	-	9,043
Machinery, equipment and vehicles	301	70	-	371
Infrastructure	139,121	-	-	139,121
	<u>148,465</u>	<u>70</u>	<u>-</u>	<u>148,535</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,863)	(271)	-	(7,134)
Machinery, equipment and vehicles	(159)	(30)	-	(189)
Infrastructure	(47,586)	(2,537)	-	(50,123)
	<u>(54,608)</u>	<u>(2,838)</u>	<u>-</u>	<u>(57,446)</u>
Total capital assets being depreciated, net	<u>93,857</u>	<u>(2,768)</u>	<u>-</u>	<u>91,089</u>
<b>Rouge Valley Sewage Disposal System capital assets, net</b>				
	<u>\$ 95,306</u>	<u>\$ (2,290)</u>	<u>\$ -</u>	<u>\$ 93,016</u>
<b>Northeast Sewage Disposal System</b>				
Capital assets not being depreciated:				
Land	\$ 11	\$ -	\$ -	\$ 11
Construction in progress	1,171	7,817	-	8,988
	<u>1,182</u>	<u>7,817</u>	<u>-</u>	<u>8,999</u>
Capital assets being depreciated:				
Buildings and improvements	10,065	-	-	10,065
Machinery, equipment and vehicles	173	11	-	184
Infrastructure	1,157	-	-	1,157
	<u>11,395</u>	<u>11</u>	<u>-</u>	<u>11,406</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,893)	(322)	-	(8,215)
Machinery, equipment and vehicles	(32)	(16)	-	(48)
Infrastructure	(511)	(18)	-	(529)
	<u>(8,436)</u>	<u>(356)</u>	<u>-</u>	<u>(8,792)</u>
Total capital assets being depreciated, net	<u>2,959</u>	<u>(345)</u>	<u>-</u>	<u>2,614</u>
<b>Northeast Sewage Disposal System capital assets, net</b>				
	<u>\$ 4,141</u>	<u>\$ 7,472</u>	<u>\$ -</u>	<u>\$ 11,613</u>

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

**Notes to the Basic Financial Statements**

	Beginning Balance	Additions	Deductions	Ending Balance
CSO Basins				
Capital assets not being depreciated -				
Construction in progress	\$ 1,006	\$ 462	\$ (1,035)	\$ 433

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

Downriver	\$ 14,313
Rouge Valley	2,838
Northeast	356
	\$ 17,507

Construction in progress in the Systems involves various improvements. The costs expected to be incurred to complete these projects are estimated at \$15.9 million. These projects are expected to be funded by future contributions from federal grants, participating local governmental units, and assets restricted for improvements.

**5. INTERFUND RECEIVABLES AND PAYABLES**

As of September 30, 2014, \$77,000 was due to the Delinquent Tax Revolving Fund from the Northeast Sewage Disposal System for overdrawing its share of the pooled cash.

As of September 30, 2014, amounts due from component units in the amount of \$64,000 represent surveillance fees due from the Wayne County Airport Authority.

**6. LONG-TERM DEBT AND OTHER OBLIGATIONS**

The principal and interest payments on all the Systems' bonds, unless otherwise noted, 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 1995, the County authorized issuance of limited tax general obligation bond to the MMBA loan revolving fund for up to \$14.1 million (project series 5117-03) at interest rate 2.25 percent which is due serially through 2016. The project involves improvements to the sludge processing facilities at the Wyandotte Wastewater Treatment Plant. Through September 30, 2014, the County received \$14.1 million from the revolving loan fund and the outstanding amount on the bonds was \$0.9 million.

In 1995, the County authorized the issuance of bonds to the MMBA revolving loan fund for up to \$84.0 million (project series 5117-23-24, 26-28 and 30-31) for the Downriver Sewage Disposal System. Through September 30, 2014, the County received \$82.9 million from the revolving loan fund and the outstanding amount on the bonds was \$25.3 million.



# CHARTER COUNTY OF WAYNE, MICHIGAN

## SEWAGE DISPOSAL SYSTEMS

### Notes to the Basic Financial Statements

In 1996, the County authorized the issuance of bonds to the MMBA revolving loan fund for up to \$49.5 million (project series 5117-15) at interest rate 2.25 percent which is due serially through 2019. The project involves construction of a connection to the existing outfall facility of the Southgate Wyandotte Drain Drainage District. The County has pledged its limited tax full faith and credit for the Bonds. Through September 30, 2014, the County received \$49.5 million from the revolving loan fund and the outstanding amount on the bonds was \$11.8 million.

In 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 System at 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 of the 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, 2014, the County received \$28.4 million from the revolving loan fund and the outstanding amount on the bonds was \$4.9 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, 2014, the County has received \$2.5 million from the revolving loan fund and the outstanding amount on the bonds was \$0.6 million.

In 1998 the County authorized the issuance of bonds to the MMBA revolving loan fund for up to \$16.8 million (project series 5117-25) for the Downriver Sewage Disposal System. Through September 30, 2014, the County received has \$16.9 million from the revolving loan fund and the outstanding amount on the bonds is \$5.9 million.

In 1999, the County authorized the issuance of refunding bonds to the MMBA revolving loan fund for up to \$11.1 million for the Rouge Valley Waste Water Control System at interest rate of 3.05 - 4.85 percent which is due serially through 2017. The purpose of the bonds were 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 Heights 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, 2014, the outstanding amount on the bonds is \$2.1 million.

In 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 interest rate of 3.05 - 4.85 percent which is due serially through 2017. The purpose of the bonds were 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, 2014, the outstanding amount on the bonds is \$0.3 million.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## SEWAGE DISPOSAL SYSTEMS

### Notes to the Basic Financial Statements

In 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 interest rate of 3.05 - 4.85 percent which is due serially through 2017. The purpose of the bonds were for refunding outstanding principal amount of \$5.6 million of the Rouge Valley Waste Water Control 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, 2014, the outstanding amount on the bonds is \$0.6 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, 2014, the County has received \$23.9 million from the revolving loan fund and the outstanding amount on the bonds is \$7.7 million.

In 1999, the Series 1999 B bonds were issued for \$15.0 million as partial completion bonds to finance approximately \$11.0 million deficit-funded construction costs and \$4.0 million in additional construction costs for the Downriver Sewer 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. Through September 30, 2014, the outstanding amount on the bonds is \$4.4 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 interest rate of 2.5 percent which is due serially through 2021. Through September 30, 2014, the County has received \$5.1 million from the revolving loan fund and the outstanding amount on the bonds is \$2.1 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 System at interest rate of 1.63 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, 2014, the County received \$4.7 million from the revolving loan fund and the outstanding amount on the bonds is \$3.0 million.

In 2007, the County authorized issuance of Series 2007 B limited tax general obligation refunding bonds to the MMBA revolving loan fund for \$9.9 at interest rate of 4.25 - 5.75 percent which is due serially through 2018. The purpose of the bonds were to advance refund \$10.1million of the outstanding LGLP series 1995B 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, 2014, the outstanding amount on the bonds is \$4.6 million.

In 1994, the County authorized the issuance of limited tax general obligation Series 1995 A bonds to the MMBA revolving loan fund for up to \$2.6 million (project series 5106-01) for the CSO Basin at interest rate of 2.0 percent which is due serially through 2019. The county has pledged its limited full faith and credit for repayment. Through September 30, 2014, the County has received \$2.6 million from the revolving loan fund and the outstanding amount on the bonds is \$0.3 million.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## SEWAGE DISPOSAL SYSTEMS

### Notes to the Basic Financial Statements

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 \$2.7 million (project series 5104-01) for the CSO Basin 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 Warren dale site and approximately 2,500 linear feet reinforced concrete collector sewer from the service areas to the basin. Through September 30, 2014, the County has received \$2.7 million from the revolving loan fund and the outstanding amount on the bonds is \$0.3 million.

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 \$5.9 million (project series 5123-01) for the City of River Rouge at 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, 96 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, 2014, the County has received \$5.9 million from the revolving loan fund and the outstanding amount on the bonds is \$1.4 million.

In 2009, the County authorized the issuance of bonds to the MMBA revolving loan fund for up to \$0.4 million (project series 5140-01) for the Rouge Valley Sewage Disposal System. Through September 30, 2014, the County received \$0.4 million from the revolving loan fund and the outstanding amount on the bonds is \$0.1 million.

In 2011, the County authorized the issuance of Series 2011 A bonds to the MMBA revolving loan fund for up to \$0.3 million for the City of Dearborn Heights at interest rate of 2.5 percent which is due serially through 2028. The purpose of the bonds were to finance the cost of the segment one 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, 2014, the County received \$0.3 million from the revolving loan fund and the outstanding amount on the bonds is \$0.3 million.

In 2011, the County authorized the issuance of Series 2011 A bonds to the MMBA revolving loan fund for up to \$0.8 million for the City of River Rouge at interest rate of 2.5 percent which is due serially through 2032. The purpose of the bonds was 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, 2014, the County received \$0.8 million from the revolving loan fund and the outstanding amount on the bonds is \$0.7 million.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## SEWAGE DISPOSAL SYSTEMS

### Notes to the Basic Financial Statements

#### *Revenue Bonds*

The County has pledged future Downriver Sewage Disposal System revenues, net of specified operating expenses, to repay the outstanding balance of \$3.4 million of Downriver Sewage Disposal System 2007D revenue bonds, \$25.9 million of the State Revolving Loan Fund Bonds for SRF Projects 5217 - 02 through - 05, \$13.1 million for Project 5217-15 (collectively the "5217 bonds") and \$2.6 million for Project 5419-01, payable through 2035. Annual principal and interest payments on the revenue bonds are expected to require less than 100 percent of net revenues. The revenue bonds are secondarily secured by the limited tax full faith and credit pledge of the County and the total customer net revenue for the FY 2014 is \$4.9 million.

In 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 \$32.1 million at interest rate 2.5 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 2009, the MMBA approved the County's loan application (#5350-01) 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). The County received \$19.0 million of MMBA bond funds for this project, \$7.6 million of which were 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.

In 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 2.5 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 Downriver Sewage Disposal System Contract. 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. As of September 30, 2014 the County received \$13.7 million of MFA bond funds for this project.

In 2013, the 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, 2014 the County received \$7.7 million of MFA bond funds for this project. Annual principal and interest payments on the revenue bonds are expected to require less than 100 percent of net revenues.

In 2013, the MFA approved the County's loan application for up to \$12.0 million for projects to improve the Downriver Sewage Disposal System's Wastewater Treatment Facility. As of September 30, 2014 the County received \$2.6 million of MFA bond funds for this project.

## CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

### Notes to the Basic Financial Statements

The annual requirements of principal and interest on the debt outstanding at September 30, 2014 are summarized as follows:

		Downriver Sewage Disposal System (in thousands)		
		Principal	Interest	Total
	2015	\$ 16,652	\$ 3,329	\$ 19,981
	2016	16,644	2,960	19,604
	2017	16,884	2,527	19,411
	2018	14,971	2,086	17,057
	2019	10,109	1,692	11,801
	2020-2024	25,098	5,456	30,554
	2025-2029	19,249	2,130	21,379
	2030-2034	4,391	172	4,563
		\$ 123,998	\$ 20,352	\$ 144,350

		Rouge Valley Sewage Disposal System (in thousands)		
		Principal	Interest	Total
	2015	\$ 505	\$ 247	\$ 752
	2016	515	235	750
	2017	530	222	752
	2018	540	208	748
	2019	555	195	750
	2020-2024	2,865	764	3,629
	2025-2029	3,235	382	3,617
	2030-2034	1,408	35	1,443
		\$ 10,153	\$ 2,288	\$ 12,441

		Northeast Sewage Disposal System (in thousands)		
		Principal	Interest	Total
	2015	\$ -	\$ 158	\$ 158
	2016	555	148	703
	2017	565	137	702
	2018	575	126	701
	2019	590	114	704
	2020-2024	3,120	387	3,507
	2025-2029	2,287	80	2,367
		\$ 7,692	\$ 1,150	\$ 8,842

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

**Notes to the Basic Financial Statements**

	Combined Sewage Overflow Basins (in thousands)		
	Principal	Interest	Total
2015	\$ 3,695	\$ 377	\$ 4,072
2016	2,890	213	3,103
2017	1,565	99	1,664
2018	1,622	29	1,651
2019	50	20	70
2020-2024	260	79	339
2025-2029	285	45	330
2030-2034	185	9	194
	\$ 10,552	\$ 871	\$ 11,423

The changes in the long term debt for the Systems are as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 108,175	\$ -	\$ (18,562)	\$ 89,613	\$ 18,272
Revenue bonds	55,917	9,960	(3,095)	62,782	2,580
Compensated absences	338	228	(338)	228	228
Deferred amounts - For issuance premiums	822	-	(59)	763	58
<b>Total long-term debt</b>	<b>\$ 165,252</b>	<b>\$ 10,188</b>	<b>\$ (22,054)</b>	<b>\$ 153,386</b>	<b>\$ 21,138</b>

**7. 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 October 2014, the Michigan Finance Authority approved the County's loan application for the following two debt issuances: (1) up to \$2.2 million at 2.50% interest due serially through 2035 for Segment Two improvements to the Dearborn Heights Combined Sewage Overflow (CSO) Retention Treatment Basin, and (2) up to \$3.4 million at 2.50% interest due serially through 2035 for improvements to the Rouge Valley Sewage Disposal System. As of January 2015, the County received \$0.2 million of the funds for the City of Dearborn Heights CSO bonds and \$0.4 million for the Rouge Valley Sewage Disposal System revenue bonds.

# CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

## Notes to the Basic Financial Statements

### 8. RESTATEMENT OF BEGINNING NET POSITION

During the year, the County adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources. It also limits the use of the term "deferred" in financial statement presentation. This implementation resulted in bond issuance costs being recognized as expense in the period incurred.

Prior to this change in accounting principle, the total amount of unamortized bond issuance costs as of September 30, 2013 was \$0.6 million. The write-off of bond issuance costs reduced the net position as though these costs had been expensed as financing fees in the year incurred. As a result of this implementation, the Authority's beginning net position was reduced by \$0.6 million.

