

CHARTER COUNTY OF WAYNE,
MICHIGAN

SEWAGE DISPOSAL SYSTEMS

Year Ended
September 30,
2015

Financial
Statements

CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

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INDEPENDENT AUDITORS' REPORT

March 24, 2016

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, 2015, 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, 2015, 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, 2015**

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
Assets					
Current assets:					
Equity in pooled cash and investments	\$ 16,806,578	\$ 3,706,905	\$ 3,218,656	\$ -	\$ 23,732,139
Other cash and investments	1,000	-	-	-	1,000
Receivables:					
Accounts	172,868	-	-	-	172,868
Due from other governments	2,647,139	12,248,812	1,949,919	974,879	17,820,749
Less allowance for uncollectable accounts	(129,952)	-	-	-	(129,952)
Prepayments and deposits	105,839	-	-	-	105,839
Restricted assets:					
Equity in pooled cash and investments	21,909,679	4,392,685	2,270,290	3,169,141	31,741,795
Other cash and investments	2,513,145	-	-	-	2,513,145
Accounts receivable	8,459,796	1,125	-	3,639,885	12,100,806
Bond principal due from municipalities	62,341,762	100,000	-	5,791,549	68,233,311
Total current assets	114,827,854	20,449,527	7,438,865	13,575,454	156,291,700
Noncurrent assets:					
Capital assets not being depreciated	13,905,872	2,949,040	12,778,369	-	29,633,281
Capital assets being depreciated	188,447,574	88,246,993	2,254,862	-	278,949,429
Total noncurrent assets	202,353,446	91,196,033	15,033,231	-	308,582,710
Total assets	317,181,300	111,645,560	22,472,096	13,575,454	464,874,410
Deferred outflows of resources					
Deferred charge on refunding	-	-	-	121,909	121,909
Deferred pension amounts	1,083,466	-	-	-	1,083,466
Total deferred outflows of resources	1,083,466	-	-	121,909	1,205,375

continued...

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

STATEMENT OF NET POSITION (concluded)
September 30, 2015

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
Liabilities					
Current liabilities:					
Accounts and contracts payable	\$ 895,412	\$ 412,522	\$ 105,650	\$ 54,657	\$ 1,468,241
Accrued wages and benefits	154,988	-	-	-	154,988
Interest payable	1,362,739	-	-	3,682,845	5,045,584
Long-term obligations, current	16,666,713	645,000	555,000	2,996,083	20,862,796
Compensated absences, current	208,880	-	-	-	208,880
Other liabilities	9,790,167	8,819,030	4,229,053	6,294	22,844,544
Total current liabilities	29,078,899	9,876,552	4,889,703	6,739,879	50,585,033
Noncurrent liabilities:					
Bonds and notes payable due in more than one year	97,151,081	9,915,813	12,099,342	4,591,692	123,757,928
Other postemployment benefits	2,776,139	-	-	-	2,776,139
Net pension liability	9,257,868	-	-	-	9,257,868
Total noncurrent liabilities	109,185,088	9,915,813	12,099,342	4,591,692	135,791,935
Total liabilities	138,263,987	19,792,365	16,989,045	11,331,571	186,376,968
Deferred inflows of resources					
Deferred pension amounts	177,606	-	-	-	177,606
Net position					
Net investment in capital assets	87,172,913	80,635,220	2,378,889	-	170,187,022
Restricted for bond programs	95,224,382	4,493,810	2,270,290	1,329,955	103,318,437
Unrestricted (deficit)	(2,574,122)	6,724,165	833,872	1,035,837	6,019,752
Total net position	\$ 179,823,173	\$ 91,853,195	\$ 5,483,051	\$ 2,365,792	\$ 279,525,211

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, 2015

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
Operating revenues					
Sewage disposal charges	\$ 16,167,485	\$ 54,842,676	\$ 24,753,163	\$ 146,400	\$ 95,909,724
Industrial surcharges	1,356,859	-	-	-	1,356,859
Other charges for services	3,950,219	29,828	14,692	1,534,552	5,529,291
Other revenue	-	600	-	-	600
Total operating revenues	<u>21,474,563</u>	<u>54,873,104</u>	<u>24,767,855</u>	<u>1,680,952</u>	<u>102,796,474</u>
Operating expenses					
Personnel	2,285,203	-	-	-	2,285,203
Fringe benefits	1,159,222	-	-	-	1,159,222
Pension	1,115,692	131,553	37,587	150,348	1,435,180
Materials and supplies	2,421,227	24,991	16,641	53,616	2,516,475
Contractual services	5,281,588	52,441,575	23,852,392	1,174,064	82,749,619
Travel	8,685	-	-	-	8,685
Other	3,991,413	112,570	400,543	266,517	4,771,043
Rentals	57,392	13,141	336,096	70,838	477,467
Depreciation	13,997,420	2,842,276	359,040	-	17,198,736
Total operating expenses	<u>30,317,842</u>	<u>55,566,106</u>	<u>25,002,299</u>	<u>1,715,383</u>	<u>112,601,630</u>
Operating loss	<u>(8,843,279)</u>	<u>(693,002)</u>	<u>(234,444)</u>	<u>(34,431)</u>	<u>(9,805,156)</u>
Nonoperating revenues (expenses)					
Investment earnings	261,263	27,934	13,265	166,762	469,224
Collections from participating local units	2,051,454	2,531	-	409,597	2,463,582
Interest expense	(3,455,882)	(259,911)	(224,750)	(550,210)	(4,490,753)
State grants	950,553	-	-	-	950,553
Total nonoperating revenues (expenses)	<u>(192,612)</u>	<u>(229,446)</u>	<u>(211,485)</u>	<u>26,149</u>	<u>(607,394)</u>
Change in net position	<u>(9,035,891)</u>	<u>(922,448)</u>	<u>(445,929)</u>	<u>(8,282)</u>	<u>(10,412,550)</u>
Net position, beginning of year, as restated	<u>188,859,064</u>	<u>92,775,643</u>	<u>5,928,980</u>	<u>2,374,074</u>	<u>289,937,761</u>
Net position, end of year	<u>\$ 179,823,173</u>	<u>\$ 91,853,195</u>	<u>\$ 5,483,051</u>	<u>\$ 2,365,792</u>	<u>\$ 279,525,211</u>

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, 2015

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
Cash flows from operating activities					
Receipts from customers	\$ 25,808,959	\$ 56,197,191	\$ 28,040,910	\$ 239,961	\$ 110,287,021
Payments to suppliers	(17,163,535)	(51,985,935)	(25,181,210)	(1,673,662)	(96,004,342)
Payments to employees	(2,288,141)	-	-	-	(2,288,141)
Payments for benefits	(2,741,716)	(131,553)	(37,587)	(150,348)	(3,061,204)
Net cash provided by (used in) operating activities	<u>3,615,567</u>	<u>4,079,703</u>	<u>2,822,113</u>	<u>(1,584,049)</u>	<u>8,933,334</u>
Cash flows from capital and related financing activities:					
Repayment of long-term debt	(16,652,151)	(505,000)	-	(3,695,000)	(20,852,151)
Proceeds from issuance of long term debt	6,020,019	912,396	4,962,282	477,426	12,372,123
Bond principal received from municipalities	14,224,456	25,000	-	3,243,241	17,492,697
State grants	950,553	-	-	-	950,553
Interest received from participating local units	2,051,454	2,531	-	409,597	2,463,582
Acquisition of capital assets	(5,409,831)	(1,021,884)	(3,779,588)	-	(10,211,303)
Interest paid	(3,520,087)	(259,910)	(418,510)	(538,945)	(4,737,452)
Net cash provided by (used in) capital and related financing activities	<u>(2,335,587)</u>	<u>(846,867)</u>	<u>764,184</u>	<u>(103,681)</u>	<u>(2,521,951)</u>
Cash flows from investing activities					
Investment earnings	261,263	27,934	13,265	166,762	469,224
Change in cash and cash equivalents	1,541,243	3,260,770	3,599,562	(1,520,968)	6,880,607
Cash and cash equivalents, beginning of year	39,689,159	4,838,820	1,889,384	4,690,109	51,107,472
Cash and cash equivalents, end of year	<u>\$ 41,230,402</u>	<u>\$ 8,099,590</u>	<u>\$ 5,488,946</u>	<u>\$ 3,169,141</u>	<u>\$ 57,988,079</u>
Cash and cash equivalents at year end consist of:					
Equity in pooled cash and investments	\$ 16,806,578	\$ 3,706,905	\$ 3,218,656	\$ -	\$ 23,732,139
Other cash and investments	1,000	-	-	-	1,000
Restricted assets:					
Equity in pooled cash and investments	21,909,679	4,392,685	2,270,290	3,169,141	31,741,795
Other cash and investments	2,513,145	-	-	-	2,513,145
Total cash and investments	<u>\$ 41,230,402</u>	<u>\$ 8,099,590</u>	<u>\$ 5,488,946</u>	<u>\$ 3,169,141</u>	<u>\$ 57,988,079</u>

continued...

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

**Statement of Cash Flows (concluded)
For the Year Ended September 30, 2015**

	Downriver	Rouge Valley	Northeast	CSO Basins	Total
Reconciliation of operating loss to net cash provided by (used in) operating activities					
Operating loss	\$ (8,843,279)	\$ (693,002)	\$ (234,444)	\$ (34,431)	\$ (9,805,156)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	13,997,420	2,842,276	359,040	-	17,198,736
Changes in current assets, current liabilities and deferrals:					
Accounts receivable	4,215,894	66,098	3,133,987	(1,977,734)	5,438,245
Due from other governments	118,502	1,257,989	139,068	236,494	1,752,053
Other current assets	-	-	-	170,947	170,947
Deferred pension amounts (outflows)	(1,083,466)	-	-	-	(1,083,466)
Accounts and contracts payable	(922,368)	287,368	(720,135)	46,650	(1,308,485)
Accrued wages	4,857	-	-	-	4,857
Compensated absences	(7,795)	-	-	-	(7,795)
Due to other funds	-	-	(77,000)	-	(77,000)
Due to other governments	(31,140)	-	-	-	(31,140)
Other liabilities	(4,449,722)	318,974	221,597	(25,975)	(3,935,126)
Net other postemployment benefits	44,537	-	-	-	44,537
Net pension liability	394,521	-	-	-	394,521
Deferred pension amounts (inflows)	177,606	-	-	-	177,606
Net cash provided by (used in) operating activities	\$ 3,615,567	\$ 4,079,703	\$ 2,822,113	\$ (1,584,049)	\$ 8,933,334

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) that are tributary to the Sewage Disposal Systems (collectively, "the Systems"), are enterprise funds of the Charter County of Wayne, Michigan (the County). The County owns and operates the various systems and basins in accordance with 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 Systems 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 Systems are included in the County's comprehensive annual financial report, reported as enterprise funds. The County's comprehensive annual financial report can be obtained by contacting the Office of Management and Budget, 500 Griswold, 14th Floor, Detroit, MI 48226.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of Accounting

The 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 System's 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 from the cities they serve.

Contractual Services

Contractual services for the Rouge Valley and Northeast systems primarily represent amounts billed for sewage treatment and disposal costs based on rates established by the Great Lakes Water Authority.

CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

Notes to the Basic Financial Statements

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.

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.

Deferred Outflows of Resources

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. The Systems also report deferred outflows of resources for changes in expected and actual investment returns, assumption, and benefits provided in its pension plans.

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 (in years):

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.

Bonds Payable

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

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 the Systems' employees pension and retiree health care benefits. Information regarding those benefits and the related liabilities, deferrals and disclosures are presented in the County's comprehensive annual financial report.

Deferred Inflows of Resources

The Systems report deferred outflows of resources for changes in expected and actual investment returns, assumption, and benefits provided in its pension plans.

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.

CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

Notes to the Basic Financial Statements

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 \$55.5 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.

3. RESTRICTED ASSETS

Restricted assets total approximately \$114.6 million and represent amounts restricted for use in replacement, improvement and construction projects (\$12.3 million) and bond reserves and amounts pledged toward the payment of outstanding bonds and notes (\$102.3 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, 2015:

	Beginning Balance	Additions	Deductions	Ending Balance
Downriver Sewage Disposal				
Capital assets not being depreciated:				
Land	\$ 2,426,717	\$ -	\$ -	\$ 2,426,717
Construction in Progress	6,139,908	5,339,247	-	11,479,155
	<u>8,566,625</u>	<u>5,339,247</u>	<u>-</u>	<u>13,905,872</u>
Capital assets being depreciated:				
Land improvements	1,367,301	-	-	1,367,301
Buildings and improvements	19,188,185	25,522	-	19,213,707
Machinery, equipment and vehicles	1,305,773	45,062	-	1,350,835
Infrastructure	400,607,353	-	-	400,607,353
	<u>422,468,612</u>	<u>70,584</u>	<u>-</u>	<u>422,539,196</u>
Less accumulated depreciation for:				
Land improvements	(572,480)	(61,710)	-	(634,190)
Buildings and improvements	(17,717,094)	(135,194)	-	(17,852,288)
Machinery, equipment and vehicles	(812,359)	(106,522)	-	(918,881)
Infrastructure	(200,992,269)	(13,693,994)	-	(214,686,263)
	<u>(220,094,202)</u>	<u>(13,997,420)</u>	<u>-</u>	<u>(234,091,622)</u>
Total capital assets being depreciated, net	<u>202,374,410</u>	<u>(13,926,836)</u>	<u>-</u>	<u>188,447,574</u>
Downriver Sewage Disposal capital assets, net	<u>\$ 210,941,035</u>	<u>\$ (8,587,589)</u>	<u>\$ -</u>	<u>\$ 202,353,446</u>

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

Notes to the Basic Financial Statements

	Beginning Balance	Additions	Deductions	Ending Balance
Rouge Valley Sewage Disposal				
Capital assets not being depreciated:				
Land	\$ 1,448,847	\$ -	\$ -	\$ 1,448,847
Construction in progress	478,309	1,021,884	-	1,500,193
	<u>1,927,156</u>	<u>1,021,884</u>	<u>-</u>	<u>2,949,040</u>
Capital assets being depreciated:				
Buildings and improvements	9,042,608	-	-	9,042,608
Machinery, equipment and vehicles	370,672	-	-	370,672
Infrastructure	139,121,423	-	-	139,121,423
	<u>148,534,703</u>	<u>-</u>	<u>-</u>	<u>148,534,703</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,134,880)	(271,415)	-	(7,406,295)
Machinery, equipment and vehicles	(188,109)	(34,116)	-	(222,225)
Infrastructure	(50,122,445)	(2,536,745)	-	(52,659,190)
	<u>(57,445,434)</u>	<u>(2,842,276)</u>	<u>-</u>	<u>(60,287,710)</u>
Total capital assets being depreciated, net	<u>91,089,269</u>	<u>(2,842,276)</u>	<u>-</u>	<u>88,246,993</u>
Rouge Valley Sewage Disposal capital assets, net	<u>\$ 93,016,425</u>	<u>\$ (1,820,392)</u>	<u>\$ -</u>	<u>\$ 91,196,033</u>
Northeast Sewage Disposal				
Capital assets not being depreciated:				
Land	\$ 11,040	\$ -	\$ -	\$ 11,040
Construction in progress	8,987,741	3,779,588	-	12,767,329
	<u>8,998,781</u>	<u>3,779,588</u>	<u>-</u>	<u>12,778,369</u>
Capital assets being depreciated:				
Buildings and improvements	10,064,660	-	-	10,064,660
Machinery, equipment and vehicles	184,645	-	-	184,645
Infrastructure	1,156,802	-	-	1,156,802
	<u>11,406,107</u>	<u>-</u>	<u>-</u>	<u>11,406,107</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,214,863)	(322,455)	-	(8,537,318)
Machinery, equipment and vehicles	(48,524)	(18,847)	-	(67,371)
Infrastructure	(528,818)	(17,738)	-	(546,556)
	<u>(8,792,205)</u>	<u>(359,040)</u>	<u>-</u>	<u>(9,151,245)</u>
Total capital assets being depreciated, net	<u>2,613,902</u>	<u>(359,040)</u>	<u>-</u>	<u>2,254,862</u>
Northeast Sewage Disposal capital assets, net	<u>\$ 11,612,683</u>	<u>\$ 3,420,548</u>	<u>\$ -</u>	<u>\$ 15,033,231</u>

CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

Notes to the Basic Financial Statements

Construction in progress in the Systems involves various improvements. The costs expected to be incurred to complete these projects are estimated at \$8.3 million. These projects are expected to be funded by future contributions from federal grants, participating local governmental units, and assets restricted for improvements.

5. 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. General obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the issuer. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Downriver Sewage Disposal				
1995-3	2019	2.25%	\$ 49,525,000	\$ 8,920,000
1995-4	2018	2.25%	14,731,176	1,780,000
1995-5	2018	2.25%	10,821,813	1,296,813
1995-6	2017	2.25%	2,931,801	137,247
1995-7	2018	2.25%	2,082,585	255,000
1995-8	2021	2.25%	58,035,000	17,040,000
1995-9	2018	2.25%	5,980,000	725,000
1995-10	2018	2.25%	5,291,187	568,555
1995-11	2018	2.25%	1,907,456	341,416
1995-12	2018	2.25%	5,773,353	1,020,000
1995-13	2019	2.25%	3,840,000	690,000
1997	2018	2.25%	2,509,825	450,000
1998	2021	2.25%	16,865,000	4,955,000
1999-2	2020	2.50%	105,103	27,987
1999-3	2021	2.50%	12,030,000	3,595,000
1999-4	2020	2.25%	11,731,749	2,746,748
1999B-5	2019	4.5-5.125%	15,005,000	3,360,000
2000	2021	2.50%	5,085,000	1,800,000
2005	2026	1.63%	4,680,000	2,760,000
2007B-3	2028	4.25 - 5.75%	15,790,000	11,915,000
			<u>\$ 244,721,048</u>	<u>\$ 64,383,766</u>

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

Notes to the Basic Financial Statements

	Year of Maturity	Interest Rates	Original Amount	Amount Outstanding
Rouge Valley Sewage Disposal				
SRF 5140-01	2019	2.25%	\$ 425,000	\$ 100,000
CSO Basins				
SRF 5106-01	2016	2.00%	\$ 2,590,000	\$ 155,000
SRF 5104-01	2016	2.25%	2,650,000	160,000
SRF 5123-01	2019	2.25%	5,856,984	1,051,984
1999B-2	2017	3.05 - 4.85%	11,100,000	1,080,000
2007B-2	2018	4.25 - 5.75%	9,935,000	3,495,000
2011A-3	2030	2.50%	275,368	245,368
2011A-4	2032	2.50%	760,000	670,000
			<u>\$ 33,167,352</u>	<u>\$ 6,857,352</u>

Revenue Bonds. The government issues revenue bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds currently outstanding are as follows:

	Year of Maturity	Year of Interest Rates	Original Amount	Amount Outstanding
Downriver Sewage Disposal				
2007D	2028	4.0 - 5.4%	\$ 4,300,000	\$ 3,220,000
2008D	2030	2.50%	4,329,086	3,249,086
2008A-2	2031	2.50%	10,612,059	8,422,059
2008B-2	2030	2.50%	12,115,000	9,620,000
2008C	2030	2.50%	4,330,000	3,245,000
2011A-2	2033	2.50%	13,780,990	12,660,990
2013-1	2035	2.00%	11,955,000	8,564,780
			<u>\$ 61,422,135</u>	<u>\$ 48,981,915</u>
Rouge Valley Sewage Disposal				
SRF 5350-01	2031	2.50%	\$ 11,426,417	\$ 9,548,417
2015 (5402-01)	2036	2.50%	3,365,000	912,396
			<u>\$ 14,791,417</u>	<u>\$ 10,460,813</u>
Northeast Sewage Disposal				
2013-2	2035	2.00%	\$ 13,435,000	\$ 12,654,342
CSO Basins				
2015 (5430-02)	2036	2.50%	\$ 2,175,000	\$ 477,426

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, 2015 are summarized as follows:

		Downriver Sewage Disposal	
		Principal	Interest
	2016	\$ 16,629,107	\$ 3,086,129
	2017	16,869,033	2,656,569
	2018	14,955,675	2,218,637
	2019	10,093,673	1,827,958
	2020	9,646,278	1,575,303
	2021-2025	22,145,000	1,964,811
	2026-2030	20,441,145	1,746,362
	2031-2035	5,975,990	246,081
		116,755,901	
Remaining available to draw		(3,390,220)	
		\$ 113,365,681	\$ 15,321,850

		Rouge Valley Sewage Disposal	
		Principal	Interest
	2016	\$ 645,000	\$ 257,364
	2017	665,000	243,483
	2018	680,000	229,255
	2019	695,000	214,681
	2020	685,000	200,076
	2021-2025	3,725,000	771,310
	2026-2030	4,205,000	352,719
	2031-2035	1,713,417	29,592
		13,013,417	
Remaining available to draw		(2,452,604)	
		\$ 10,560,813	\$ 2,298,480

		Northeast Sewage Disposal	
		Principal	Interest
	2016	\$ 555,000	\$ 253,087
	2017	565,000	242,632
	2018	575,000	231,988
	2019	590,000	221,157
	2020	600,000	210,042
	2021-2025	3,180,000	876,244
	2026-2030	3,515,000	564,289
	2031-2035	3,855,000	219,838
		13,435,000	
Remaining available to draw		(780,658)	
		\$ 12,654,342	\$ 2,819,277

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

Notes to the Basic Financial Statements

	CSO Basins	
	Principal	Interest
2016	\$ 2,975,000	\$ 224,694
2017	1,650,000	110,011
2018	1,711,984	39,794
2019	140,000	30,018
2020	145,000	28,274
2021-2025	770,000	114,234
2026-2030	865,000	65,262
2031-2035	775,368	15,634
	9,032,352	
Remaining available to draw	(1,697,574)	
	\$ 7,334,778	\$ 627,921

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Downriver Sewage Disposal					
General obligation bonds	\$ 78,935,917	\$ -	\$ (14,552,151)	\$ 64,383,766	\$ 13,999,107
Revenue bonds	45,061,896	6,020,019	(2,100,000)	48,981,915	2,630,000
Compensated absences	216,675	208,880	(216,675)	208,880	208,880
Deferred amounts - For issuance premiums	489,717	-	(37,606)	452,111	37,606
Total long-term debt	\$ 124,704,205	\$ 6,228,899	\$ (16,906,432)	\$ 114,026,672	\$ 16,875,593
Rouge Valley Sewage Disposal					
General obligation bonds	\$ 125,000	\$ -	\$ (25,000)	\$ 100,000	\$ 25,000
Revenue bonds	10,028,417	912,396	(480,000)	10,460,813	620,000
Total long-term debt	\$ 10,153,417	\$ 912,396	\$ (505,000)	\$ 10,560,813	\$ 645,000
Northeast Sewage Disposal					
Revenue bonds	\$ 7,692,060	\$ 4,962,282	\$ -	\$ 12,654,342	\$ 555,000
CSO Basins					
General obligation bonds	\$ 10,552,352	\$ -	\$ (3,695,000)	\$ 6,857,352	\$ 2,890,000
Revenue bonds	-	477,426	-	477,426	85,000
Deferred amounts - For issuance premiums	274,080	-	(21,803)	252,277	21,083
Total long-term debt	\$ 10,826,432	\$ 477,426	\$ (3,716,803)	\$ 7,587,055	\$ 2,996,083

CHARTER COUNTY OF WAYNE, MICHIGAN SEWAGE DISPOSAL SYSTEMS

Notes to the Basic Financial Statements

6. SUBSEQUENT EVENTS

The County entered in a State Revolving Fund loan for \$17,705,000 on January 15, 2016 through the issuance of Downriver Sewage Disposal System Revenue Bonds, Series 2015A. The proceeds will be used for capital projects related to the secondary treatment system. The total project costs are estimated to be \$19.2 million.

7. RESTATEMENT

Wayne County adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, in the current year. A portion of the change in the County's beginning net position was allocated by the County to the Systems' Downriver enterprise fund. As a result of this change, the beginning net position of the Downriver enterprise fund decreased by \$8,863,347.

