

# Washtenaw County Department of Public Works Projects

Year Ended  
December 31,  
2011

Basic Financial  
Statements

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Table of Contents

### Page

#### FINANCIAL SECTION

Independent Auditors' Report	1-2
Management's Discussion and Analysis	4-6
Basic Financial Statements:	
Statement of Net Assets and Governmental Funds	
Balance Sheet	8-9
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances	10-11
Notes to Basic Financial Statements	12-19
Combining Financial Statements:	
Combining Balance Sheet - Nonmajor Governmental Funds	22
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	23
Combining Balance Sheet - Nonmajor Debt Service Funds	24-25
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds	26-27
Combining Balance Sheet - Nonmajor Capital Projects Funds	28-29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds	30-31
Supplementary Information:	
Schedule of Additional Bond Information	34-35
Schedule of Bond Maturities	36-39



**INDEPENDENT AUDITORS' REPORT**

April 18, 2012

To the Washtenaw County Board of  
Public Works  
Ann Arbor, Michigan

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of the *Washtenaw County Department of Public Works Projects*, a component unit of Washtenaw County, as of and for the year ended December 31, 2011, which collectively comprise the Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Washtenaw County Department of Public Works Projects. Our responsibility is to express opinions 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Washtenaw County Department of Public Works Projects as of December 31, 2011, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 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, who 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 assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements. The combining fund financial statements and the supplementary information are presented for purposes of additional analysis and are 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in cursive script that reads "Lehmann Johnson".

## MANAGEMENT'S DISCUSSION AND ANALYSIS

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Management's Discussion and Analysis

Washtenaw County Public Works presents this management discussion and analysis of its financial performance as an overview of financial activities for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements.

### Using this Annual Report

The discussion and analysis is intended to serve as an introduction to Washtenaw County Public Works basic financial statements. The basic financial statements are comprised of the *statement of net assets and governmental funds balance sheet*, the *statement of activities and governmental fund revenues, expenditures and changes in fund balances* and the *notes to the basic financial statements*.

- The *statement of net assets and governmental funds balance sheet* presents information on all of Washtenaw County Public Works' assets and liabilities, with the difference between the two reported as net assets.
- The *statement of activities and governmental fund revenues, expenditures and changes in fund balances* presents information showing how Washtenaw County Public Works' net assets changed during the most recent fiscal year.
- 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.

Fund financial statements tell how services were financed in the short-term as well as what remains for future spending. Fund financial statements also report Washtenaw County Public Works' operations in more detail than the government-wide statements by providing information about Washtenaw County Public Works most significant funds.

### Financial Analysis

The net assets of the Washtenaw County Public Works are summarized for the purpose of determining the overall fiscal position. As shown on Table 1 below, the Public Works' assets exceeded liabilities by \$7,173,790 at the end of the fiscal year. This is primarily attributed to amounts remaining in debt service and capital projects funds. These assets are used to pay off debt and provide funds for which the project was established. Most of the current projects are either lake improvement or recycling projects. It should also be noted that the resources needed to repay debt must be provided from other local governments or special assessments established by the Board of Public Works.

A comparative analysis of the data is presented below:

Table 1. Washtenaw County Public Works Net Assets		
	2011	2010
Current and other assets	\$ 7,234,602	\$ 2,282,944
Leases receivable	27,992,279	29,882,279
<b>Total assets</b>	<b>35,226,881</b>	<b>32,165,223</b>
Long-term liabilities	27,825,735	29,697,266
Other liabilities	227,356	274,790
<b>Total liabilities</b>	<b>28,053,091</b>	<b>29,972,056</b>
<b>Net assets:</b>		
Restricted for debt service	19,688	26,158
Restricted for construction	7,154,102	2,167,009
<b>Total net assets</b>	<b>\$ 7,173,790</b>	<b>\$ 2,193,167</b>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Management's Discussion and Analysis

When comparing this fiscal year to the previous year, net assets have increased by \$4,976,881 (see Table 2 below). The major part of this increase is comprised of the following:

- Program revenue consisting of special assessments, debt retirement and investment earnings increased by \$5,064,012 from the prior year.
- A 23% decrease of \$449,014 in expenses for public works and debt service.

**Table 2. Washtenaw County  
Public Works Changes in Net  
Assets**

	2011	2010
--	------	------

Revenue:		
Program revenue:		
Special assessments	\$ 5,468,837	\$ -
Intergovernmental	1,014,496	1,419,482
General revenue -		
Investment earnings	6,393	6,232
Total revenue	<u>6,489,726</u>	<u>1,425,714</u>
Expenses:		
Public works	442,018	763,952
Debt service	1,067,085	1,190,165
Total expenses	<u>1,509,103</u>	<u>1,954,117</u>
Change in net assets	4,980,623	(528,403)
Net assets, beginning of year	<u>2,193,167</u>	<u>2,721,570</u>
Net assets, end of year	<u>\$ 7,173,790</u>	<u>\$ 2,193,167</u>

### Long-term Debt

At the end of the current fiscal year, Washtenaw County Public Works had total bonded debt outstanding of \$27,992,279 (Table 3). This entire amount comprises debt backed by the full faith and credit of Washtenaw County.

**Table 3. Washtenaw County  
Public Works Outstanding Debt**

	2011	2010
--	------	------

Public Works bond issues	<u>\$ 27,992,279</u>	<u>\$ 29,882,279</u>
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Additional information on Washtenaw County Public Works' long-term debt can be found in detail in the accompanying notes of this report on pages 14-15.

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Management's Discussion and Analysis

### Economic Factors and Next Year's Budget

The financial management discussion relates to the financial status of Washtenaw County Public Works debt and current projects. The Public Works operating budget is provided through the County General Fund, and is discussed in the Washtenaw County Comprehensive Annual Financial Report (CAFR).

Washtenaw County Public Works projects are governed through Public Act 185. Public Works is under the control of the Board of Public Works which is under the general control of the Board of Commissioners. In 2011, total project expenses and debt retirement were \$1,509,103. It is not possible to make more than a generalized prediction of what total expenditures will be. It is estimated that 2012 project expenses and debt retirement will be more than 2011 as a result of a new project.

Public Works projects are undertaken in response to requests from local governments. In 2010, at the request of the communities comprising the Western Washtenaw Recycling Authority, the Washtenaw County Board of Public Works passed a resolution to initiate and establish a project to maintain and improve a resource recovery system (Western Washtenaw Recycling Authority). Subsequently, the Washtenaw County Board of Commissioners (BOC) approved a resolution directing the Board of Public Works to undertake the project. In September, 2011 the BOC approved a contract with the City of Chelsea, the Township of Dexter, the Township of Lima, the Township of Lyndon, the Township of Manchester, and the Western Washtenaw Recycling Authority (WWRA) for improvements to the WWRA Material Recovery Facility. The Board of Public Works went through the special assessment process and confirmed special assessments for a 15-year bond and a five year operating assessment in October. These assessments were placed on the December 2011 tax bills.

The WWRA Facility Expansion is estimated to cost \$3,200,000. On November 16, 2011, the Board of Commissioners passed a bond resolution to authorize the sale of bonds for financing the improvements to the WWRA Material Recovery Facility at an estimated amount not to exceed \$2,700,000. The WWRA has pledged \$500,000 from its fund balance to the project. It is anticipated that bonds for the proposed expansion will be issued in early 2012.

### Contacting Washtenaw County Public Works

This financial report is designed to provide a general overview of the Washtenaw County Public Works finances and to show accountability for the money it receives and expends. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Washtenaw County Public Works, 705 N. Zeeb Road, Ann Arbor, MI 48103.



## BASIC FINANCIAL STATEMENTS

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Statement of Net Assets and Governmental Funds Balance Sheet December 31, 2011

	Debt Service Funds			
	Multi-Lake Sanitary Sewer System Phase II	Sylvan Township Water and Wastewater Refunding	Multi-Lake Sanitary Sewer System Refunding (Dexter Township) Series 2010	WWRA Recycling Project
<b>Assets</b>				
Cash and pooled investments	\$ 1,401	\$ (238)	\$ (93)	\$ 15,424
Special assessments receivable	-	-	-	4,118,336
Due from other governments	-	238	93	-
Deferred charges	-	-	-	-
Leases receivable	-	-	-	-
<b>Total assets</b>	<b>\$ 1,401</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,133,760</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	4,118,336
Advances from other funds	-	-	-	-
Accrued interest payable	-	-	-	-
Long-term liabilities:				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,118,336</b>
<b>Fund balances</b>				
Restricted for public works	1,401	-	-	15,424
<b>Total liabilities and fund balances</b>	<b>\$ 1,401</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,133,760</b>

The accompanying notes are an integral part of these financial statements.

	Capital Projects Fund				
Northfield Township Sewer System	Western Washtenaw Recycling	Nonmajor Governmental Funds	Total Governmental Funds	Adjustments	Statement of Net Assets
\$ (253)	\$ 776,498	\$ 209,187	\$ 1,001,926	\$ -	\$ 1,001,926
-	1,376,893	252,076	5,747,305	-	5,747,305
253	-	9,222	9,806	-	9,806
-	-	-	-	475,565	475,565
-	-	-	-	27,992,279	27,992,279
<u>\$ -</u>	<u>\$ 2,153,391</u>	<u>\$ 470,485</u>	<u>\$ 6,759,037</u>	<u>28,467,844</u>	<u>35,226,881</u>
\$ -	\$ -	\$ 20,008	\$ 20,008	30,000	50,008
-	1,376,893	251,208	5,746,437	(5,746,437)	-
-	-	30,000	30,000	(30,000)	-
-	-	-	-	177,348	177,348
-	-	-	-	1,950,000	1,950,000
-	-	-	-	25,875,735	25,875,735
-	1,376,893	301,216	5,796,445	22,256,646	28,053,091
-	776,498	169,269	962,592	(962,592)	-
<u>\$ -</u>	<u>\$ 2,153,391</u>	<u>\$ 470,485</u>	<u>\$ 6,759,037</u>		
Net assets					
Restricted for debt service				19,688	19,688
Restricted for construction				7,154,102	7,154,102
Total net assets				<u>\$ 7,173,790</u>	<u>\$ 7,173,790</u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Statement of Activities and Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2011

	Debt Service Funds			
	Multi-Lake Sanitary Sewer System Phase II	Sylvan Township Water and Wastewater Refunding	Multi-Lake Sanitary Sewer System Refunding (Dexter Township) Series 2010	WWRA Recycling Project
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ -	\$ 15,424
Intergovernmental	571,975	351,706	347,591	-
Investment income	6	3	9	-
<b>Total revenues</b>	<b>571,981</b>	<b>351,709</b>	<b>347,600</b>	<b>15,424</b>
<b>Expenditures / expenses</b>				
Public works	634	634	634	-
Debt service:				
Principal	400,000	-	260,000	-
Interest and fiscal charges	179,275	351,075	87,448	-
<b>Total expenditures / expenses</b>	<b>579,909</b>	<b>351,709</b>	<b>348,082</b>	<b>-</b>
Revenues and other sources over (under) expenditures and other uses	(7,928)	-	(482)	15,424
Change in net assets	-	-	-	-
<b>Fund balances / net assets</b>				
Beginning of year	9,329	-	482	-
<b>Fund balances / net assets</b>				
End of year	\$ 1,401	\$ -	\$ -	\$ 15,424

The accompanying notes are an integral part of these financial statements.

	Capital Projects Fund				
Northfield Township Sewer System	Western Washtenaw Recycling	Nonmajor Governmental Funds	Total Governmental Funds	Adjustments	Statement of Activities
\$ -	\$ 349,737	\$ 111,229	\$ 476,390	\$ 4,992,447	\$ 5,468,837
624,659	-	1,008,565	2,904,496	(1,890,000)	1,014,496
15	4,807	1,553	6,393	-	6,393
<u>624,674</u>	<u>354,544</u>	<u>1,121,347</u>	<u>3,387,279</u>	<u>3,102,447</u>	<u>6,489,726</u>
633	325,555	113,928	442,018	-	442,018
485,000	-	745,000	1,890,000	(1,890,000)	-
139,269	-	265,268	1,022,335	44,750	1,067,085
<u>624,902</u>	<u>325,555</u>	<u>1,124,196</u>	<u>3,354,353</u>	<u>(1,845,250)</u>	<u>1,509,103</u>
(228)	28,989	(2,849)	32,926	(32,926)	-
-	-	-	-	4,980,623	4,980,623
<u>228</u>	<u>747,509</u>	<u>172,118</u>	<u>929,666</u>	<u>1,263,501</u>	<u>2,193,167</u>
<u>\$ -</u>	<u>\$ 776,498</u>	<u>\$ 169,269</u>	<u>\$ 962,592</u>	<u>\$ 6,211,198</u>	<u>\$ 7,173,790</u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity* - These financial statements represent the financial position and the changes in financial position of the public works projects managed and administered by the Washtenaw County Department of Public Works (DPW). These projects are considered to be a discretely presented component unit of Washtenaw County (the "County" or "primary government") and are an integral part of that reporting entity.

*Government-wide and Fund Financial Statements* - As permitted by GASB Statement No. 34, the DPW uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

*Measurement Focus, Basis of Accounting and Financial Statement Presentation* - The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the DPW considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual. The portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received.

The DPW reports the following major governmental funds:

Debt service funds:

- Multi-Lake Sanitary Sewer System Phase II
- Sylvan Township Water and Wastewater Refunding
- Multi-Lake Sanitary Sewer System Refunding (Dexter Township) Series 2010
- WWRA Recycling Project
- Northfield Township Sewer System

Capital projects funds:

- Western Washtenaw Recycling

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## ■ Notes To Financial Statements

Additionally, the DPW reports the following fund types:

*Debt service funds* account for the accumulation of resources for, and the payment of, interest and principal on bonded debt.

*Capital projects funds* account for the use of resources, primarily bond proceeds, in constructing or acquiring capital assets, including buildings.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

*Receivables and Payables* - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are, if any, referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Special assessments receivable are amounts due from benefiting parties (i.e., property owners). No allowance for uncollectibles is recorded because the special assessments represent a lien on the respective properties.

*Long-term Obligations* - In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Fund Balance* - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually require to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. Committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the Board of Directors. A formal resolution of the Board of Directors is required to establish, modify or rescind a fund balance commitment. Assigned fund balance is reported for amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance is the residual classification used for a general fund.

When the DPW incurs an expenditure for purposes for which various fund balance classifications can be used, it is the DPW’s policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance, if any.

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

### 2. CASH AND POOLED INVESTMENTS

At year-end, the carrying amount of the DPW's cash and pooled investments, which were deposited entirely in the County Treasurer's internal cash management pool, was \$1,001,926. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categorizations are presented in the County's basic financial statements.

### 3. LEASES RECEIVABLE

The DPW has entered into various lease agreements with local governments to issue bonded debt and to manage the construction of water and sewer systems in those jurisdictions. These agreements generally terminate with the retirement of the related bond issues. Leases receivable are reported at an amount equal to the lesser of the actual bond-financed construction costs incurred to date or the outstanding bond principal. Annual lease payments under these agreements are equal to the related bond principal and interest due each year. At termination of a lease, title to the leased property is passed to the particular local governments.

Under the accrual basis of accounting and the provisions of FASB (Financial Accounting Standards Board) Statement No. 13, *Accounting for Leases*, the DPW's leases are classified as sales leases. As a result, leases receivable are recognized in the accompanying statement of net assets, whereas capital assets are not.

All lease agreements provide for the lessees to use, operate and maintain the systems, at their own expense, subject to the terms and conditions of the agreements.

The current portion of leases receivable as of December 31, 2011 was \$1,950,000.

### 4. LONG-TERM DEBT

General obligation bonds are issued by the County to finance construction projects managed and administered by the DPW. These bonds are direct obligations, and pledge the full faith and credit, of the County and the associated municipalities and authorities. The bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year through April 1, 2028 and bear interest at varying rates from 1.625% to 5.000%. Detailed information regarding bonds currently outstanding and annual debt service requirements to maturity for each bond issue is presented in the Supplementary Information section of this report.



# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year	Principal	Interest	Total
2012	\$ 1,950,000	\$ 939,717	\$ 2,889,717
2013	1,950,000	872,797	2,822,797
2014	2,640,000	797,968	3,437,968
2015	2,635,000	713,313	3,348,313
2016	2,665,000	624,210	3,289,210
2017-2021	9,852,279	1,925,470	11,777,749
2022-2026	5,885,000	566,650	6,451,650
2027-2028	415,000	6,784	421,784
	<u>\$ 27,992,279</u>	<u>\$ 6,446,909</u>	<u>\$ 34,439,188</u>

Long-term liability activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds payable	\$ 29,882,279	\$ -	\$ (1,890,000)	\$ 27,992,279	\$ 1,950,000
Deferred amounts for:					
Issuance premiums	209,398	-	(20,477)	188,921	-
Refunding loss	(333,998)	-	33,191	(300,807)	-
Refunding gain	786	-	(79)	707	-
Issuance discounts	(61,199)	-	5,834	(55,365)	-
	<u>\$ 29,697,266</u>	<u>\$ -</u>	<u>\$ (1,871,531)</u>	<u>\$ 27,825,735</u>	<u>\$ 1,950,000</u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

### 5. PROJECT INFORMATION

Following is a brief description of significant matters regarding active capital projects:

#### *Western Washtenaw Recycling Project*

The County entered into a contract dated November 1, 1991 with the Villages of Chelsea and Manchester and the Townships of Bridgewater, Manchester, Dexter, Lima, Lyndon and Sylvan (the “Municipalities”) and the Western Washtenaw Recycling Authority (the “Authority”) to acquire and construct a recycling collection system to serve the Municipalities. On September 1, 1996, an amendment to the original contract was executed between the County, the Municipalities and the Authority to continue the recycling collection and processing system (the “Recycling System”) to serve Western Washtenaw County.

The Recycling System is funded through special assessments levied under Public Act 185. By statute, such revenues and interest earned thereon may be used to pay for expansion and/or ongoing operating and maintenance expenditures. The County leases the Recycling System from the Authority and subleases it back to the Authority to operate, maintain and administer. Full ownership of the Recycling System will be transferred to the Authority upon termination of the contract.

#### *North Lake Culvert Improvement Project*

On April 20, 2011, the Washtenaw County Board of Public Works passed a resolution to initiate a lake improvement project for the townships of Dexter and Lyndon. Subsequently, on June 2, 2011, the Washtenaw County Board of Commissioners approved a resolution directing the Board of Public Works to undertake a lake improvement project for the townships of Dexter and Lyndon.

The project provides lake improvements to North Lake in Washtenaw County in order to provide lake level control by the addition of a special end section on a culvert that serves as the outlet of North Lake. The total cost of the project is estimated at \$7,500.

#### *Sylvan Township Water and Wastewater Refunding*

The DPW has entered into a lease agreement with Sylvan Township and a lease receivable is recorded in the amount of the outstanding debt for which the Township is obligated to pay. In the Township’s most recent audit report, it was noted that current special assessments will not provide sufficient cash inflows to satisfy the required debt service payments. New users that were anticipated at the time of the debt issuance have not materialized and cash reserves of the Township have been decreasing as a result. The Township has indicated that it will be unable to make its May 1, 2012 payment, therefore the County will make the payment and the default provisions of the lease agreement will be followed to address the issue.

On March 1, 2010, the DPW approved a bond resolution to refund the original bonds for the Sylvan Township Water and Wastewater System Improvements. Subsequently on March 3, 2010, the Board of Commissioners approved the resolution to authorize the issuance of not-to-exceed \$10,400,000 Washtenaw County - Sylvan Township Water and Waste System Improvements Refunding Bonds, Series 2010. On March 18, the County awarded the bonds to the lowest bidder to issue \$9,775,000 of general obligation limited tax bonds for an advanced refunding of \$9,400,000 of principal on the original debt. The refunding bond issue closed on April 1, 2010. The refunding was undertaken to restructure the remaining debt and achieve present value savings and extend principal payments to help the Township address problems with cash flow.

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

### 6. SUBSEQUENT EVENT

On August 18, 2010, the Washtenaw County Board of Public Works passed a resolution to initiate and establish a project to maintain and improve a resource recovery system (Western Washtenaw Recycling Authority). Subsequently, on October 6, 2010, the Washtenaw County Board of Commissioners approved a resolution directing the Board of Public Works to undertake a project to maintain and improve a resource recovery system (Western Washtenaw Recycling Authority).

The Board of Commissioners, on September 21, 2011, passed a resolution approving the contract with the City of Chelsea, the Township of Dexter, the Township of Lima, the Township of Lyndon, the Township of Manchester and the Western Washtenaw Recycling Authority (WWRA) for improvements to the WWRA material recovery facility. On October 31, 2011, the Board of Public Works confirmed special assessments for a 15-year bond and a five year operating assessment. These assessments were placed on the December 2011 tax bills.

The WWRA facility expansion is estimated to cost \$3,200,000. On November 16, 2011, the Board of Commissioners passed a bond resolution to authorize the sale of bonds for financing the improvements to the WWRA material recovery facility at an estimated amount not to exceed \$2,700,000. The WWRA has pledged \$500,000 from its fund balance to the project. It is anticipated that bonds for the proposed expansion will be issued in early 2012.

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

### 7. ADJUSTMENTS

Following is an explanation of the adjustments between the governmental funds balance sheet and the government-wide statement of net assets, which reconciles fund balances to net assets:

Fund balances	\$ 962,592
<b>Adjustments:</b>	
Leases receivable are not <i>current financial resources</i> and therefore are not reported in the governmental funds	27,992,279
Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets	475,565
Deferred revenue is not a <i>current financial resource</i> and therefore is not reported as revenue in the governmental funds	5,746,437
Bonds payable are not due and payable in the current period and therefore not reported in the governmental funds	(27,825,735)
Accrued interest payable on bonds is not recorded by governmental funds	(177,348)
Payable to the primary government are treated as quasi-external liabilities for purposes of net assets:	
Due to primary government	30,000
Advances from other funds	<u>(30,000)</u>
Net assets	<u><u>\$ 7,173,790</u></u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Notes To Financial Statements

Following is an explanation of the adjustments between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities, which reconciles the net change in fund balances to the change in net assets:

Net changes in fund balances	\$ 32,926
<b>Adjustments:</b>	
Special assessment revenues that do not provide current financial resources are not reported as revenues in the funds, but are included in the statement of activities	4,992,447
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets	
Add - bond principal payments	1,890,000
Deduct - lease payments collected attributed to bond principal	(1,890,000)
Accrued interest expense on bonds and the amortization of bond issuance costs and discounts are not recorded by governmental funds but are reported under interest and fiscal charges for purposes of net asset:	
Accrued interest expense	22,386
Amortization of bond issuance costs	(48,667)
Amortization of discount on bonds	(5,834)
Amortization of premium on bonds	20,477
Amortization of deferred refunding loss	(33,191)
Amortization of deferred refunding gain	79
	<hr/>
Change in net assets	<u>\$ 4,980,623</u>

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## COMBINING FINANCIAL STATEMENTS

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2011

	Debt Service	Capital Projects	Totals
<b>Assets</b>			
Cash and pooled investments	\$ 1,621	\$ 207,566	\$ 209,187
Special assessments receivable	-	252,076	252,076
Due from other governments	1,242	7,980	9,222
<b>Total Assets</b>	<b>\$ 2,863</b>	<b>\$ 467,622</b>	<b>\$ 470,485</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 20,008	\$ 20,008
Deferred revenue	-	251,208	251,208
Advances from other funds	-	30,000	30,000
<b>Total liabilities</b>	<b>-</b>	<b>301,216</b>	<b>301,216</b>
<b>Fund balances</b>			
Restricted for public works	2,863	166,406	169,269
<b>Total liabilities and fund balances</b>	<b>\$ 2,863</b>	<b>\$ 467,622</b>	<b>\$ 470,485</b>



# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

■ Combining Statement of Revenues, Expenditures, and  
 Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended December 31, 2011

	Debt Service	Capital Projects	Totals
<b>Revenues</b>			
Special assessments	\$ -	\$ 111,229	\$ 111,229
Intergovernmental	1,000,585	7,980	1,008,565
Investment income	24	1,529	1,553
<b>Total revenues</b>	<b>1,000,609</b>	<b>120,738</b>	<b>1,121,347</b>
<b>Expenditures</b>			
Public works	4,433	109,495	113,928
Debt service:			
Principal	745,000	-	745,000
Interest and fiscal charges	264,433	835	265,268
<b>Total expenditures</b>	<b>1,013,866</b>	<b>110,330</b>	<b>1,124,196</b>
Revenues over (under) expenditures	(13,257)	10,408	(2,849)
Fund balances, beginning of year	16,120	155,998	172,118
<b>Fund balances, end of year</b>	<b>\$ 2,863</b>	<b>\$ 166,406</b>	<b>\$ 169,269</b>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Combining Balance Sheet Nonmajor Debt Service Funds December 31, 2011

	Salem Township Wastewater Disposal System	City of Saline Water System Improvements Segment 1	City of Saline Water System Improvements Segment 2
<b>Assets</b>			
Cash and pooled investments	\$ (93)	\$ (275)	\$ (230)
Due from other governments	93	275	230
<b>Total Assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund balances</b>			
Restricted for public works	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Salem Township Sewer Collection System	Bridgewater Township Wastewater System	Multi-Lake Sewer System Phase III	Sanitary Sewer System Refunding (Dexter Township)	Lyndon/Sylvan Sewer System	Total
\$ (318) 318	\$ (326) 326	\$ 764 -	\$ - -	\$ 2,099 -	\$ 1,621 1,242
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ 2,099</u>	<u>\$ 2,863</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ 2,099</u>	<u>\$ 2,863</u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds For the Year Ended December 31, 2011

	Salem Township Wastewater Disposal System	City of Saline Water System Improvements Segment 1	City of Saline Water System Improvements Segment 2
<b>Revenues</b>			
Intergovernmental	\$ 133,125	\$ 86,375	\$ 76,189
Investment income	2	8	1
<b>Total revenues</b>	<u>133,127</u>	<u>86,383</u>	<u>76,190</u>
<b>Expenditures</b>			
Public works	633	633	633
Debt service:			
Principal	115,000	70,000	60,000
Interest and fiscal charges	17,494	15,750	15,557
<b>Total expenditures</b>	<u>133,127</u>	<u>86,383</u>	<u>76,190</u>
Revenues over (under) expenditures	-	-	-
Fund balances, beginning of year	-	-	-
<b>Fund balances, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Salem Township Sewer Collection System	Bridgewater Township Wastewater System	Multi-Lake Sewer System Phase III	Sanitary Sewer System Refunding (Dexter Township)	Lyndon/Sylvan Sewer System	Total
\$ 88,258 1	\$ 96,244 3	\$ 212,325 7	\$ - (4)	\$ 308,069 6	\$ 1,000,585 24
<u>88,259</u>	<u>96,247</u>	<u>212,332</u>	<u>(4)</u>	<u>308,075</u>	<u>1,000,609</u>
634	634	633	-	633	4,433
60,000	65,000	160,000	-	215,000	745,000
<u>27,625</u>	<u>30,613</u>	<u>52,325</u>	<u>-</u>	<u>105,069</u>	<u>264,433</u>
<u>88,259</u>	<u>96,247</u>	<u>212,958</u>	<u>-</u>	<u>320,702</u>	<u>1,013,866</u>
-	-	(626)	(4)	(12,627)	(13,257)
-	-	1,390	4	14,726	16,120
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 764</u>	<u>\$ -</u>	<u>\$ 2,099</u>	<u>\$ 2,863</u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

## Combining Balance Sheet Nonmajor Capital Projects Funds December 31, 2011

	Sugarloaf Lake Improvement Project	North Lake Improvement Project	North Lake Culver Improvement Project	Joslin Lake Improvement Project
<b>Assets</b>				
Cash and pooled investments	\$ -	\$ 23,150	\$ -	\$ 33,998
Special assessments receivable	-	104,880	-	147,196
Due from other governments	-	-	7,980	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 128,030</b>	<b>\$ 7,980</b>	<b>\$ 181,194</b>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 2,498	\$ 3,580	\$ 4,790
Deferred revenue	-	104,880	-	146,328
Advances from other funds	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>107,378</b>	<b>3,580</b>	<b>151,118</b>
<b>Fund balances</b>				
Restricted for public works	-	20,652	4,400	30,076
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 128,030</b>	<b>\$ 7,980</b>	<b>\$ 181,194</b>



Whitmore Lake Improvement Project	DPW Projects Revolving	Total
\$ 71,172	\$ 79,246	\$ 207,566
-	-	252,076
-	-	7,980
<u>\$ 71,172</u>	<u>\$ 79,246</u>	<u>\$ 467,622</u>
\$ 9,140	\$ -	\$ 20,008
-	-	251,208
-	30,000	30,000
9,140	30,000	301,216
<u>62,032</u>	<u>49,246</u>	<u>166,406</u>
<u>\$ 71,172</u>	<u>\$ 79,246</u>	<u>\$ 467,622</u>

# WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

■ Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Year Ended December 31, 2011

	Sugarloaf Lake Improvement Project	North Lake Improvement Project	North Lake Culver Improvement Project	Joslin Lake Improvement Project
Revenues				
Special assessments	\$ -	\$ 52,440	\$ -	\$ 58,618
Intergovernmental	-	-	7,980	-
Investment income (loss)	(3)	254	-	287
Total revenues	<u>(3)</u>	<u>52,694</u>	<u>7,980</u>	<u>58,905</u>
Expenditures				
Public works	5,353	33,971	3,580	19,246
Debt service - Interest and fiscal charges	-	570	-	265
Total expenditures	<u>5,353</u>	<u>34,541</u>	<u>3,580</u>	<u>19,511</u>
Revenues over (under) expenditures	(5,356)	18,153	4,400	39,394
Fund balances (deficit), beginning of year	<u>5,356</u>	<u>2,499</u>	<u>-</u>	<u>(9,318)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 20,652</u>	<u>\$ 4,400</u>	<u>\$ 30,076</u>





Whitmore Lake Improvement Project	DPW Projects Revolving	Total
\$ 171	\$ -	\$ 111,229
-	-	7,980
<u>529</u>	<u>462</u>	<u>1,529</u>
<u>700</u>	<u>462</u>	<u>120,738</u>
47,295	50	109,495
<u>-</u>	<u>-</u>	<u>835</u>
<u>47,295</u>	<u>50</u>	<u>110,330</u>
(46,595)	412	10,408
<u>108,627</u>	<u>48,834</u>	<u>155,998</u>
<u>\$ 62,032</u>	<u>\$ 49,246</u>	<u>\$ 166,406</u>

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## SUPPLEMENTARY INFORMATION

## WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

### ■ Schedule of Additional Bond Information December 31, 2011

Project	Municipalities or Authorities	Date Issued	Amount Issued
(A) Salem Township Wastewater Disposal System - State Revolving Fund Program	Salem Township	09/18/96	2,136,315
(B) City of Saline Water System Improvements Project - Drinking Water Revolving Fund - Segment 1	City of Saline	07/02/98	1,375,000
(C) City of Saline Water System Improvements Project - Drinking Water Revolving Fund - Segment 2	City of Saline	06/24/99	1,197,279
(D) Multi-Lake Sanitary Sewer System Phase II	Multi-Lake Area Water and Sewer Authority	01/01/02	7,850,000
(E) Salem Township Sewer Collection System	Salem Township	06/01/02	1,090,000
(F) Bridgewater Township Wastewater System	Bridgewater Township	09/01/04	1,095,000
(G) Lyndon Township and Sylvan Township Sanitary Sewer Expansion	Lyndon Township and Sylvan Township	09/01/04	5,115,000
(H) Multi-Lake Wastewater Treatment Plant Upgrade Phase III	Multi-Lake Area Water and Sewer Authority	06/21/07	3,610,000
(I) Northfield Township Sanitary Sewer System and Wastewater Treatment Improvement Refunding	Northfield Township	09/12/07	4,965,000
(J) Sylvan Township Water and Sewer System Refunding	Sylvan Township	04/01/10	9,775,000
(K) Multi-Lake Sanitary Sewer System Refunding, Series 2010	Dexter Township	08/01/10	3,095,000

Interest Rates	Remaining Annual Installments	Redemption Beginning Date	Ending Date	Rate (% of par)
2.25%	\$100,000 to \$130,000 through 11/01/17	not applicable		
2.50%	\$75,000 to \$85,000 through 10/01/18	not applicable		
2.50%	\$60,000 to \$77,279 through 04/01/20	not applicable		
3.00% to 5.00%	\$400,000 through 05/01/20	05/01/10 05/01/12	04/30/12 04/30/20	100.5% 100.0%
3.00% to 5.00%	\$55,000 through 05/01/21	05/01/10 05/01/12	04/30/12 04/30/21	100.5% 100.0%
3.00% to 5.00%	\$65,000 through 06/01/22	06/01/12	05/31/22	100.0%
2.50% to 4.375%	\$225,000 through 05/01/22	05/01/12 05/01/14	04/30/14 04/30/22	100.5% 100.0%
1.625%	\$160,000 to \$210,000 through 04/01/28	not applicable		
4.25%	\$400,000 to \$550,000 through 05/01/17	not applicable		
2.00% to 4.00%	\$625,000 to \$1,000,000 through 05/01/26	05/01/22	04/30/26	100.0%
2.000% to 3.125%	\$285,000 to \$355,000 through 05/01/20	05/01/15	04/30/20	100.0%

## WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

### Schedule of Bond Maturities December 31, 2011

	Project	2012	2013	2014	2015
(A)	Salem Township Wastewater System	\$ 134,850	\$ 132,150	\$ 134,394	\$ 131,581
(B)	City of Saline Water System Improvements-Segment 1	89,000	87,125	90,250	88,250
(C)	City of Saline Water System Improvements-Segment 2	74,056	72,556	71,056	74,494
(D)	Multi-Lake Sewer System Phase II	561,550	543,800	525,800	507,400
(E)	Salem Township Sewer Collection System	79,929	77,509	75,034	72,504
(F)	Bridgewater Township Wastewater System	93,194	90,878	88,481	86,003
(G)	Lyndon/Sylvan Township Sanitary Sewer Expansion	321,863	313,144	304,144	295,144
(H)	Multi-Lake Wastewater Treatment Plant Upgrade Phase III	209,725	212,085	209,403	211,681
(I)	Northfield Township Refunding	623,044	591,794	614,800	586,956
(J)	Sylvan Township Water and Sewer System Refunding	350,725	350,725	969,475	940,600
(K)	Multi-Lake Sanitary Sewer System Refunding, Series 2010	351,781	351,031	355,131	353,700
		<u>\$ 2,889,717</u>	<u>\$ 2,822,797</u>	<u>\$ 3,437,968</u>	<u>\$ 3,348,313</u>

	2016	2017	2018	2019	2020	2021	2022	2023
\$	133,713	\$ 101,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	86,250	89,250	87,125	-	-	-	-	-
	72,869	71,244	74,557	72,807	78,245	-	-	-
	488,500	469,500	450,000	430,000	410,000	-	-	-
	69,918	67,278	64,598	61,875	59,125	56,375	-	-
	83,444	80,811	78,130	75,400	72,597	69,712	66,625	-
	286,144	277,144	268,003	258,722	249,300	239,681	229,922	-
	213,878	211,035	213,150	210,225	212,259	209,253	211,206	213,078
	583,794	408,500	-	-	-	-	-	-
	913,975	886,125	955,375	916,838	882,100	939,200	899,800	1,056,800
	356,725	359,119	360,450	340,969	360,547	-	-	-
<u>\$</u>	<u>3,289,210</u>	<u>\$ 3,021,131</u>	<u>\$ 2,551,388</u>	<u>\$ 2,366,836</u>	<u>\$ 2,324,173</u>	<u>\$ 1,514,221</u>	<u>\$ 1,407,553</u>	<u>\$ 1,269,878</u>

Continued...

WASHTENAW COUNTY DEPARTMENT OF PUBLIC WORKS PROJECTS

Schedule of Bond Maturities (Concluded)  
December 31, 2011

Project	2024	2025	2026	2027
(A) Salem Township Wastewater System	\$ -	\$ -	\$ -	\$ -
(B) City of Saline Water System Improvements-Segment 1	-	-	-	-
(C) City of Saline Water System Improvements-Segment 2	-	-	-	-
(D) Multi-Lake Sewer System Phase II	-	-	-	-
(E) Salem Township Sewer Collection System	-	-	-	-
(F) Bridgewater Township Wastewater System	-	-	-	-
(G) Lyndon/Sylvan Township Sanitary Sewer Expansion	-	-	-	-
(H) Multi-Lake Wastewater Treatment Plant Upgrade Phase III	209,909	211,700	213,410	210,078
(I) Northfield Township Refunding	-	-	-	-
(J) Sylvan Township Water and Sewer System Refunding	1,059,200	1,060,000	1,020,000	-
(K) Multi-Lake Sanitary Sewer System Refunding, Series 2010	-	-	-	-
	<u>\$ 1,269,109</u>	<u>\$ 1,271,700</u>	<u>\$ 1,233,410</u>	<u>\$ 210,078</u>



2028	Principal and Interest	Representing Interest	Obligation At 12/31/11
\$ -	\$ 767,813	\$ 47,813	\$ 720,000
-	617,250	57,250	560,000
-	661,884	69,605	592,279
-	4,386,550	786,550	3,600,000
-	684,145	134,145	550,000
-	885,275	170,275	715,000
-	3,043,211	568,211	2,475,000
211,706	3,593,781	453,781	3,140,000
-	3,408,888	378,888	3,030,000
-	13,200,938	3,425,938	9,775,000
-	3,189,453	354,453	2,835,000
<u>\$ 211,706</u>	<u>\$ 34,439,188</u>	<u>\$ 6,446,909</u>	<u>\$ 27,992,279</u>

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