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Charter County of Wayne, Michigan  
Building Authority

(a component unit of the Charter County of Wayne, Michigan)

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**Financial Report**  
**September 30, 2017**

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## **Independent Auditor's Report**

To the Wayne County Commission,  
Wayne County Building Authority Board,  
and the Wayne County Executive  
Charter County of Wayne, Michigan Building Authority

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan (the "County") as of and for the year ended September 30, 2017, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 27, 2018, which contained unmodified opinions on the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to March 27, 2018.

### ***In Relation to Opinion on Accompanying Financial Statements***

The financial statements of the Charter County of Wayne, Michigan Building Authority (the "Authority"), a component unit of the County, for the year ended September 30, 2017 are presented for the purpose 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Report on Summarized Comparative Information**

The basic financial statements of the governmental activities and each major fund of the Charter County of Wayne, Michigan Building Authority as of and for the year ended September 30, 2016 were audited by a predecessor auditor, which expressed unmodified opinions on the governmental activities and each major fund. The predecessor auditor's report was dated March 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived with the exception of the net position classification which has changed from the presentation in the previously issued financial statements. Please refer to Note 2.

### ***Required Supplementary Information***

Management has omitted management's discussion and analysis and the budgetary comparison schedule for the General Fund that accounting principles generally accepted in the United States of America requires to be presented to supplement the financial statements. Such missing information, although a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Plante & Moran, PLLC*

March 27, 2018

# Charter County of Wayne, Michigan Building Authority

## Statement of Net Position

September 30, 2017

|                                                                      | Governmental Activities |                                      |
|----------------------------------------------------------------------|-------------------------|--------------------------------------|
|                                                                      | 2017                    | 2016 (for comparative purposes only) |
| <b>Assets</b>                                                        |                         |                                      |
| Equity in pooled cash and investments (Note 4)                       | \$ 5,666,956            | \$ 5,612,437                         |
| Receivables:                                                         |                         |                                      |
| Accrued interest receivable                                          | 6,592,560               | 6,791,689                            |
| Accounts receivable                                                  | 25,765                  | 144,290                              |
| Due from other governments                                           | 2,575,229               | 2,632,572                            |
| Prepaid expenses                                                     | 360,188                 | -                                    |
| Leases receivable - Due within one year (Note 6)                     | 7,620,000               | 7,305,000                            |
| Restricted assets: (Note 5)                                          |                         |                                      |
| Equity in pooled cash and investments                                | 56,153,628              | 57,213,596                           |
| Other cash and investments                                           | 918,416                 | 1,332,399                            |
| Capital assets - Construction in progress (Note 10)                  | 20,000,000              | 20,000,000                           |
| Leases receivable - Due in more than one year (Note 6)               | 126,452,350             | 132,692,044                          |
| Total assets                                                         | 226,365,092             | 233,724,027                          |
| <b>Deferred Outflows of Resources</b> - Deferred charge on refunding | 524,635                 | 944,476                              |
| <b>Liabilities</b>                                                   |                         |                                      |
| Accounts payable                                                     | 8,246                   | 15,723                               |
| Accrued interest payable                                             | 6,592,560               | 6,791,689                            |
| Other liabilities                                                    | 18,205                  | 440,740                              |
| Noncurrent liabilities: (Note 8)                                     |                         |                                      |
| Due within one year                                                  | 7,620,000               | 7,305,000                            |
| Due in more than one year                                            | 202,060,522             | 209,819,627                          |
| Total liabilities                                                    | 216,299,533             | 224,372,779                          |
| <b>Net Position</b>                                                  |                         |                                      |
| Restricted:                                                          |                         |                                      |
| Capital projects and debt service                                    | 9,595,511               | 8,885,502                            |
| Program activities                                                   | 918,416                 | 1,332,399                            |
| Unrestricted                                                         | 76,267                  | 77,823                               |
| Total net position                                                   | \$ 10,590,194           | \$ 10,295,724                        |

# Charter County of Wayne, Michigan Building Authority

## Statement of Activities

Year Ended September 30, 2017

|                                         |                      | Program<br>Revenue      | Net Revenue (Expense) and<br>Changes in Net Position |                                            |
|-----------------------------------------|----------------------|-------------------------|------------------------------------------------------|--------------------------------------------|
|                                         |                      |                         | Total                                                | 2016 (for<br>comparative<br>purposes only) |
|                                         | Expenses             | Charges for<br>Services | 2017                                                 |                                            |
| <b>Functions/Programs</b>               |                      |                         |                                                      |                                            |
| Primary government -                    |                      |                         |                                                      |                                            |
| Governmental activities:                |                      |                         |                                                      |                                            |
| Community and economic development      | \$ 1,370,331         | \$ 21,154,080           | \$ 19,783,749                                        | \$ 16,418,041                              |
| Interest on long-term debt              | 19,883,509           | -                       | (19,883,509)                                         | (20,502,924)                               |
| Total primary government                | <b>\$ 21,253,840</b> | <b>\$ 21,154,080</b>    | (99,760)                                             | (4,084,883)                                |
| General revenue:                        |                      |                         |                                                      |                                            |
| Prior year cost recoveries from vendors |                      |                         | -                                                    | 3,407,461                                  |
| Unrestricted investment income          |                      |                         | 394,230                                              | 332,478                                    |
| Total general revenue                   |                      |                         | 394,230                                              | 3,739,939                                  |
| <b>Change in Net Position</b>           |                      |                         | 294,470                                              | (344,944)                                  |
| <b>Net Position - Beginning of year</b> |                      |                         | 10,295,724                                           | 10,640,668                                 |
| <b>Net Position - End of year</b>       |                      |                         | <b>\$ 10,590,194</b>                                 | <b>\$ 10,295,724</b>                       |

# Charter County of Wayne, Michigan Building Authority

## Balance Sheet

September 30, 2017

|                                                   | General<br>Operating<br>Fund | Debt Service<br>Fund | Capital<br>Projects Fund | 2017                 | 2016 (for<br>comparative<br>purposes only) |
|---------------------------------------------------|------------------------------|----------------------|--------------------------|----------------------|--------------------------------------------|
| <b>Assets</b>                                     |                              |                      |                          |                      |                                            |
| Equity in pooled cash and<br>investments (Note 4) | \$ 84,513                    | \$ 5,582,343         | \$ 100                   | \$ 5,666,956         | \$ 5,612,437                               |
| Receivables                                       | -                            | 2,600,994            | -                        | 2,600,994            | 2,776,862                                  |
| Prepaid expenses                                  | -                            | 360,188              | -                        | 360,188              | -                                          |
| Restricted assets: (Note 5)                       |                              |                      |                          |                      |                                            |
| Equity in pooled cash and<br>investments          | -                            | -                    | 56,153,628               | 56,153,628           | 57,213,596                                 |
| Other cash and investments                        | 918,416                      | -                    | -                        | 918,416              | 1,332,399                                  |
| <b>Total assets</b>                               | <b>\$ 1,002,929</b>          | <b>\$ 8,543,525</b>  | <b>\$ 56,153,728</b>     | <b>\$ 65,700,182</b> | <b>\$ 66,935,294</b>                       |
| <b>Liabilities</b>                                |                              |                      |                          |                      |                                            |
| Accounts payable                                  | \$ 8,246                     | \$ -                 | \$ -                     | \$ 8,246             | \$ 15,723                                  |
| Other liabilities                                 | -                            | -                    | 18,205                   | 18,205               | 440,740                                    |
| <b>Total liabilities</b>                          | <b>8,246</b>                 | <b>-</b>             | <b>18,205</b>            | <b>26,451</b>        | <b>456,463</b>                             |
| <b>Fund Balances</b>                              |                              |                      |                          |                      |                                            |
| Nonspendable                                      | -                            | 360,188              | -                        | 360,188              | -                                          |
| Restricted:                                       |                              |                      |                          |                      |                                            |
| Debt service                                      | -                            | 8,183,337            | -                        | 8,183,337            | 8,295,653                                  |
| Capital projects                                  | -                            | -                    | 56,135,523               | 56,135,523           | 56,772,956                                 |
| Program activities                                | 918,416                      | -                    | -                        | 918,416              | 1,332,399                                  |
| Unassigned                                        | 76,267                       | -                    | -                        | 76,267               | 77,823                                     |
| <b>Total fund balances</b>                        | <b>994,683</b>               | <b>8,543,525</b>     | <b>56,135,523</b>        | <b>65,673,731</b>    | <b>66,478,831</b>                          |
| <b>Total liabilities and fund<br/>balances</b>    | <b>\$ 1,002,929</b>          | <b>\$ 8,543,525</b>  | <b>\$ 56,153,728</b>     | <b>\$ 65,700,182</b> | <b>\$ 66,935,294</b>                       |

## Charter County of Wayne, Michigan Building Authority

### Reconciliation of the Balance Sheet to the Statement of Net Position

September 30, 2017

|                                                                                                                                                                               | 2017                        | 2016 (for<br>comparative<br>purposes only) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------|
| <b>Fund Balances Reported in Governmental Funds</b>                                                                                                                           | <b>\$ 65,673,731</b>        | <b>\$ 66,478,831</b>                       |
| Amounts reported for governmental activities in the statement of net position are different because:                                                                          |                             |                                            |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds                                                                  | 20,000,000                  | 20,000,000                                 |
| Capital leases and related accrued interest receivable (due from other funds of the County) are not current financial resources and, therefore, are not reported in the funds | 140,664,910                 | 146,788,733                                |
| Bonds payable, deferred charge on refunding, and accrued bond premium are not due and payable in the current period and are not reported in the funds                         | (209,155,887)               | (216,180,151)                              |
| Accrued interest is not due and payable in the current period and is not reported in the funds                                                                                | (6,592,560)                 | (6,791,689)                                |
| <b>Net Position of Governmental Activities</b>                                                                                                                                | <b><u>\$ 10,590,194</u></b> | <b><u>\$ 10,295,724</u></b>                |

# Charter County of Wayne, Michigan Building Authority

## Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended September 30, 2017

|                                                        | General<br>Operating<br>Fund | Debt Service<br>Fund | Capital<br>Projects Fund | 2017                 | 2016 (for<br>comparative<br>purposes only) |
|--------------------------------------------------------|------------------------------|----------------------|--------------------------|----------------------|--------------------------------------------|
| <b>Revenue</b>                                         |                              |                      |                          |                      |                                            |
| Building rents                                         | \$ 1,238,084                 | \$ 7,754,589         | \$ -                     | \$ 8,992,673         | \$ 9,315,509                               |
| Other revenue:                                         |                              |                      |                          |                      |                                            |
| Transfers from other governmental<br>units             | -                            | 18,285,230           | -                        | 18,285,230           | 22,163,326                                 |
| Interest income                                        | 2,885                        | 5,592                | 385,753                  | 394,230              | 332,478                                    |
| Prior year cost recoveries from<br>vendors             | -                            | -                    | -                        | -                    | 3,407,461                                  |
| Total revenue                                          | 1,240,969                    | 26,045,411           | 385,753                  | 27,672,133           | 35,218,774                                 |
| <b>Expenditures</b>                                    |                              |                      |                          |                      |                                            |
| Community and economic development                     | 347,145                      | -                    | 1,023,186                | 1,370,331            | 970,065                                    |
| Debt service:                                          |                              |                      |                          |                      |                                            |
| Principal                                              | -                            | 7,305,000            | -                        | 7,305,000            | 10,695,000                                 |
| Interest                                               | -                            | 19,801,902           | -                        | 19,801,902           | 20,419,980                                 |
| Total expenditures                                     | 347,145                      | 27,106,902           | 1,023,186                | 28,477,233           | 32,085,045                                 |
| <b>Excess of Revenue Over (Under)<br/>Expenditures</b> | 893,824                      | (1,061,491)          | (637,433)                | (805,100)            | 3,133,729                                  |
| <b>Other Financing Sources (Uses)</b>                  |                              |                      |                          |                      |                                            |
| Transfers in                                           | -                            | 1,309,363            | -                        | 1,309,363            | 957,976                                    |
| Transfers out                                          | (1,309,363)                  | -                    | -                        | (1,309,363)          | (957,976)                                  |
| Total other financing<br>(uses) sources                | (1,309,363)                  | 1,309,363            | -                        | -                    | -                                          |
| <b>Net Change in Fund Balances</b>                     | (415,539)                    | 247,872              | (637,433)                | (805,100)            | 3,133,729                                  |
| <b>Fund Balances - Beginning of year</b>               | 1,410,222                    | 8,295,653            | 56,772,956               | 66,478,831           | 63,345,102                                 |
| <b>Fund Balances - End of year</b>                     | <u>\$ 994,683</u>            | <u>\$ 8,543,525</u>  | <u>\$ 56,135,523</u>     | <u>\$ 65,673,731</u> | <u>\$ 66,478,831</u>                       |

## Charter County of Wayne, Michigan Building Authority

### Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended September 30, 2017

|                                                                                                                                                                                                                                                                                                | 2017                | 2016 (for<br>comparative<br>purposes only) |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------------------------|
| <b>Net Change in Fund Balance Reported in Governmental Funds</b>                                                                                                                                                                                                                               | <b>\$ (805,100)</b> | <b>\$ 3,133,729</b>                        |
| Amounts reported for governmental activities in the statement of activities are different because:                                                                                                                                                                                             |                     |                                            |
| Governmental funds report building rental (principal and accrued interest) received as revenue in the year collected. However, in the statement of activities, revenue is reported in the current year upon project completion, and collections are recorded as reduction of leases receivable | (6,123,823)         | (14,090,729)                               |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)                                                                                                                                              | 7,305,000           | 10,695,000                                 |
| Interest expense is recognized in the government-wide statements as it accrues                                                                                                                                                                                                                 | 199,129             | 205,046                                    |
| Amortization of bond premium and discount is recognized in the government-wide statements                                                                                                                                                                                                      | 139,105             | 131,852                                    |
| Amortization of loss on refunding is recognized in the government-wide statements                                                                                                                                                                                                              | (419,841)           | (419,842)                                  |
| <b>Change in Net Position of Governmental Activities</b>                                                                                                                                                                                                                                       | <b>\$ 294,470</b>   | <b>\$ (344,944)</b>                        |

September 30, 2017

### Note 1 - Nature of Business

Charter County of Wayne, Michigan Building Authority (the "Authority"), a blended component unit of the Charter County of Wayne, Michigan (the "County"), was created in 1961 under provisions of Act No. 31, Public Acts of Michigan, Extra Session of 1948, as amended. All revenue or other funds received by the Authority must be disbursed for specific purposes in accordance with agreements with the County and the holders of the Authority's bonds. The financial statements of the Authority reflect the operations associated with the acquisition, furnishing, equipping, owning, improvement, enlarging, operation, and maintenance of buildings and building sites for lease to, and eventual ownership by, the County. These financial statements represent the Authority and are not intended to present the financial position and results of operations of the County in conformity with accounting principles generally accepted in the United States of America. The financial statements of the Authority have been included in the County's Comprehensive Annual Financial Report and reported as special revenue, debt service, and capital projects funds. These financial statements, along with the County's Comprehensive Annual Financial Report, can be obtained by contacting the Department of Management and Budget at 500 Griswold, 14th Floor, Detroit, Michigan 48226.

### Note 2 - Significant Accounting Policies

#### ***Accounting and Reporting Principles***

The Authority follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board. The following is a summary of the significant accounting policies used by the Authority:

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Unrestricted intergovernmental receipts and other items not properly included among program revenue are reported instead as general revenue.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

September 30, 2017

**Note 2 - Significant Accounting Policies (Continued)**

***Fund Accounting***

The Authority accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Authority to show the particular expenditures for which specific revenue is used. The various funds are aggregated into three broad fund types:

**Governmental Funds**

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds can include the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds.

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.
- The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

**Interfund Activity**

During the course of operations, the Authority has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. The Authority did not have interfund loans outstanding at September 30, 2017 or 2016.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

***Basis of Accounting***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due. Proceeds from long-term debt are reported as other financing sources. Administrative overhead charges are included in direct expenses.

**September 30, 2017**

**Note 2 - Significant Accounting Policies (Continued)**

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Authority considers amounts collected within 60 days of year end to be available for recognition. Interest, rents, and charges for services are susceptible to accrual. Other receipts become measurable and available when cash is received by the Authority and are recognized as revenue at that time.

***Specific Balances and Transactions***

**Cash and Investments**

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an "other financing source" and bond discounts as "other financing uses". The Debt Service Fund is generally used to liquidate governmental long-term debt.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Authority reports deferred outflows related to a deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Authority did not have deferred inflows at September 30, 2017 or 2016.

**Net Position**

Net position of the Authority is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

**Net Position Flow Assumption**

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements (as applicable), a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

September 30, 2017

**Note 2 - Significant Accounting Policies (Continued)**

**Fund Balance Flow Assumptions**

The Authority will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Authority's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

**Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Authority itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Authority's highest level of decision-making authority. The Wayne County commission, Wayne County building authority board, and the Wayne County executive are the highest level of decision-making authority for the Authority that can, prior to the end of the fiscal year, commit fund balance. Once the commitment has been approved, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Authority has, by resolution, authorized the finance director to assign fund balance. The Wayne County commission, Wayne County building authority board, and the Wayne County executive may also assign fund balance as they do when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Use of Estimates**

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

September 30, 2017

**Note 2 - Significant Accounting Policies (Continued)**

**Comparative Data/Reclassifications**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Authority's financial statements for the year ended September 30, 2016, from which the summarized information was derived. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

As noted in the report letter, the net position classifications presented in the financial statements for the year ended September 30, 2016, as audited by other auditors, included debt related to unspent bond proceeds as a component of unrestricted net position, rather than as an offset to the unspent bond proceeds within restricted net position. The 2016 column on the statement of net position has been restated to reflect net position presentation consistent with the 2017 presentation.

**Building Rent Revenue**

Lease payments are collected from the County to satisfy the rent obligations under all of the project leases. Lease transactions are accounted for as direct financing leases by the Authority whereby the present value of the future lease payments is recorded as a lease receivable using the interest rate implicit in the lease. Building rent revenue is recognized in the fund financial statements as the principal and interest are collected. In the government-wide financial statements, the entire principal portion of the lease is recognized as revenue as projects progress, and interest is recognized as it is earned.

**Note 3 - Stewardship, Compliance, and Accountability**

**Budgetary Information**

Annual budgets should be adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. State law requires the Authority to have its budget in place by October 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governmental entities to amend their budgets during the year.

The Authority did not prepare a budget for the years ended September 30, 2017 or 2016.

**Note 4 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has cash included as part of Wayne County, Michigan's pooled cash (investment pool). In addition, the Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with state statutory authority as listed above.

There are no limitations or restrictions on participant withdrawals for the investment pools that are recorded at amortized cost.

September 30, 2017

**Note 4 - Deposits and Investments (Continued)**

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the Authority's pooled cash and investments, which were deposited entirely in the county treasurer's internal cash management pool, was approximately \$63,000,000 and \$65,000,000 for 2017 and 2016, respectively. Approximately \$919,000 and \$1,332,000 in 2017 and 2016, respectively, of those funds were separately held demand deposit accounts. Because it is infeasible to allocate risk to individual component units or pool participants, aggregate cash and investment categories are presented in the County's basic financial statements. The FDIC coverage for the Authority is not independently ascertainable.

**Note 5 - Restricted Assets**

In accordance with the terms of certain bond issuances, the Authority restricts assets that are pledged for operating, maintenance, repairs and replacement, and construction. As of September 30, 2017 and 2016, the Authority had restricted assets of approximately \$900,000 and \$1,300,000, respectively, for operating and maintenance and approximately \$56,200,000 and \$57,200,000, respectively, for construction.

**Note 6 - Leases Receivable**

***Operating Leases***

The Authority's leasing operations consist of leasing of facilities for use by the County, State or any of its agencies under direct financing arrangements expiring in various years through 2042. Amounts due from other governments consist of long-term receivables for future rents that will be used to pay debt service. The current portion of leases receivable balance is equal to the principal due on the bonds payable in the next fiscal year.

The following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2017 and 2016:

|                                             | 2017                  | 2016                  |
|---------------------------------------------|-----------------------|-----------------------|
| Total minimum lease payments to be received | \$ 378,357,655        | \$ 397,666,876        |
| Unearned income                             | (168,892,655)         | (180,896,876)         |
| Adjustments:                                |                       |                       |
| Unexpended bond proceeds                    | (55,392,650)          | (56,772,956)          |
| Capital assets - Construction in progress   | (20,000,000)          | (20,000,000)          |
| Net leases receivable                       | <u>\$ 134,072,350</u> | <u>\$ 139,997,044</u> |
|                                             | 2017                  | 2016                  |
| Statement of net position classification:   |                       |                       |
| Current portion of leases receivable        | \$ 7,620,000          | \$ 7,305,000          |
| Long-term portion of leases receivable      | <u>126,452,350</u>    | <u>132,692,044</u>    |
| Total                                       | <u>\$ 134,072,350</u> | <u>\$ 139,997,044</u> |

**September 30, 2017**

**Note 6 - Leases Receivable (Continued)**

Minimum lease payments receivable as of September 30, 2017 are equal to the outstanding principal and net interest payments on long-term debt and are summarized as follows by bond issue:

| Years Ending | Series 2007B        | Series 2010<br>Bonds  | Series 2011F<br>Revenue Bonds | Total                 |
|--------------|---------------------|-----------------------|-------------------------------|-----------------------|
| 2018         | \$ 3,555,250        | \$ 14,717,198         | \$ 950,375                    | \$ 19,222,823         |
| 2019         | 3,541,375           | 14,726,477            | 968,875                       | 19,236,727            |
| 2020         | -                   | 14,709,453            | 1,000,875                     | 15,710,328            |
| 2021         | -                   | 14,690,335            | 1,033,675                     | 15,724,010            |
| 2022         | -                   | 14,668,586            | 1,039,238                     | 15,707,824            |
| 2023-2027    | -                   | 72,987,998            | 5,235,690                     | 78,223,688            |
| 2028-2032    | -                   | 72,210,602            | 4,963,190                     | 77,173,792            |
| 2033-2037    | -                   | 71,216,229            | 5,732,901                     | 76,949,130            |
| 2038-2042    | -                   | 56,060,963            | 4,348,370                     | 60,409,333            |
| Total        | <u>\$ 7,096,625</u> | <u>\$ 345,987,841</u> | <u>\$ 25,273,189</u>          | <u>\$ 378,357,655</u> |

**Note 7 - Interfund Receivables, Payables, and Transfers**

The general operating fund transferred \$1,309,363 and \$957,976 for September 30, 2017 and 2016, respectively, to the debt service fund for repayment of principal and interest.

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended September 30, 2017 can be summarized as follows:

|                                                                         | Beginning<br>Balance  | Additions   | Reductions            | Ending Balance        | Due Within<br>One Year |
|-------------------------------------------------------------------------|-----------------------|-------------|-----------------------|-----------------------|------------------------|
| Bonds and contracts payable:                                            |                       |             |                       |                       |                        |
| Series 2007B, 4.25% to 5.75%<br>due serially to December<br>2018        | \$ 9,905,000          | \$ -        | \$ (3,150,000)        | \$ 6,755,000          | \$ 3,300,000           |
| Series 2010 (Jail), 6.22% to<br>10.0%, due serially to<br>December 2040 | 192,545,000           | -           | (3,935,000)           | 188,610,000           | 4,090,000              |
| Series 2011F, 3.0% to 5.25%,<br>due serially to October 2041            | 14,320,000            | -           | (220,000)             | 14,100,000            | 230,000                |
| Total principal outstanding                                             | 216,770,000           | -           | (7,305,000)           | 209,465,000           | 7,620,000              |
| Unamortized bond premiums                                               | 354,627               | -           | (139,105)             | 215,522               | -                      |
| Total governmental<br>activities long-term debt                         | <u>\$ 217,124,627</u> | <u>\$ -</u> | <u>\$ (7,444,105)</u> | <u>\$ 209,680,522</u> | <u>\$ 7,620,000</u>    |

**Note 8 - Long-term Debt (Continued)**

***Debt Service Requirements to Maturity***

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Years Ending<br>September 30 | Governmental Activities |                       |                         |                       |
|------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                              | Principal               | Interest              | Interest Subsidy        | Total                 |
| 2018                         | \$ 7,620,000            | \$ 19,307,862         | \$ (7,705,039)          | \$ 19,222,823         |
| 2019                         | 8,015,000               | 18,739,450            | (7,517,723)             | 19,236,727            |
| 2020                         | 4,825,000               | 18,232,150            | (7,346,822)             | 15,710,328            |
| 2021                         | 5,100,000               | 17,791,213            | (7,167,203)             | 15,724,010            |
| 2022                         | 5,360,000               | 17,326,301            | (6,978,476)             | 15,707,825            |
| 2023-2027                    | 31,215,000              | 78,706,990            | (31,698,301)            | 78,223,689            |
| 2028-2032                    | 40,150,000              | 61,931,940            | (24,908,149)            | 77,173,791            |
| 2033-2037                    | 53,275,000              | 39,533,901            | (15,859,771)            | 76,949,130            |
| 2038-2042                    | 53,905,000              | 10,838,370            | (4,334,038)             | 60,409,332            |
| Total                        | <u>\$ 209,465,000</u>   | <u>\$ 282,408,177</u> | <u>\$ (113,515,522)</u> | <u>\$ 378,357,655</u> |

***Recovery Zone Economic Development Bonds***

In December 2010, the Building Authority issued \$200 million Series 2010 bonds to finance construction of a new Wayne County, Michigan consolidated jail complex. The Authority has designated the bonds as "recovery zone economic development bonds" under section 1400U-2 of the Code and to elect under Code Section 54AA(g) to receive a direct pay interest credit from the United States Treasury equal to 45 percent of the state interest paid on the bonds as provided in Code Section 6431. The bonds are due serially through 2040 at interest rates ranging from 6.22 to 10.0 percent. The County has pledged its full faith and credit for these bonds, subject to certain limitations. Interest credits received are reported in transfers from other governmental units

**Note 9 - Risk Management**

The County, including the Authority, is self-insured for general liability and other similar claims. Other claims consist of property damage and minor auto damage claims. The County purchases commercial insurance for claims in excess of self-insurance coverage and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Note 10 - Commitments**

The County is a defendant in a number of lawsuits and claims and is involved in other disputes, which have resulted from providing services to citizens of the County. The ultimate effect of the unrecorded amount and resolution of these matters on the financial statements of the Authority's operations, in the opinion of the County, is not expected to be material. Except for the information below, see the County's CAFR for further discussion of commitments and contingencies.

September 30, 2017

#### **Note 10 - Commitments (Continued)**

##### ***Wayne County Building Authority - Consolidated Jail Project***

In June 2017, the County received two final proposals as part of a dual-track strategy to resolve the unfinished jail project. Walsh Construction (Walsh) submitted its response to the County's Request for Proposal (RFP) to complete the unfinished jail at Gratiot while Rock Ventures (Rock) submitted its comprehensive enhanced proposal to construct a new Criminal Justice Center on land owned by the City of Detroit, Michigan. Walsh's proposal included two jail options at Gratiot, with approximately 1,608 beds at \$269 million and 2,200 beds at the cost of \$317.6 million. Rock Ventures' proposal offered to build the County a new Criminal Justice Center with a 2,280-bed jail, criminal courthouse, administrative offices for both the prosecutor and sheriff, and a juvenile detention facility at an approximate cost of a proposed \$520.3 million with the County responsible for \$380 million. After extensive due diligence on both proposal, In July 2017, the county executive directed staff to dedicate their time towards reaching a contract with Rock Ventures because it had more upside, less risk, and a smaller financial gap than Walsh's proposal.

As of the issuance date of this report, the County has reached a tentative agreement with Rock Ventures to build a new \$533 million Criminal Justice Center, providing the County with four state-of-the-art buildings as a solution to its long-stalled Gratiot jail project. As part of the deal, the County would invest \$380 million with Rock covering the remaining costs and any overruns. The County has entered into an agreement with the City of Detroit, Michigan to acquire the DDOT site which will house the new Criminal Justice Center.

Therefore, as of September 30, 2017 and 2016, the \$20 million jail is recorded as a nondepreciable capital asset and classified as construction in progress. The carrying value is net of an \$88 million impairment from 2013 when the jail project was suspended.