

CHARTER COUNTY OF WAYNE,
MICHIGAN

BUILDING AUTHORITY

Year Ended
September 30,
2015

Financial
Statements

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

March 24, 2016

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the *Charter County of Wayne, Michigan Building Authority* (the "Authority"), a component unit of the *Charter County of Wayne, Michigan*, as of and for the year ended September 30, 2015, which collectively comprise the basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Independent Auditors' Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter County of Wayne, Michigan Building Authority as of September 30, 2015, and the respective changes in its financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, 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 any assurance.

Rehmann Johnson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Management's Discussion and Analysis (Unaudited)

As management of the Wayne County Building Authority (the Authority), a blended component unit of the Charter County of Wayne, Michigan, we offer readers of the Authority's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-wide Financial Statements. The *government-wide financial statements* provide a broad view of the Authority's operations in a manner similar to a private-sector business.

- **The statement of net position** presents information on all of the Authority's assets, deferred outflows of resources and liabilities, with the difference between the three reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- **The statement of activities** presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as uncollected building rentals and amortization of deferred charges).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other governmental units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Authority, assets and liabilities decreased by \$13.0 and \$13.2 million, respectively.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Management's Discussion and Analysis (Unaudited)

	Net Position	
	2015	2014
Assets		
Leases receivable	\$ 153,882,727	\$ 163,939,892
Other assets	94,171,342	97,048,128
Total assets	<u>248,054,069</u>	<u>260,988,020</u>
Deferred outflows of resources	<u>1,364,318</u>	<u>1,784,159</u>
Liabilities		
Long-term liabilities	227,951,479	238,084,704
Other liabilities	10,826,238	13,911,526
Total liabilities	<u>238,777,717</u>	<u>251,996,230</u>
Net position		
Restricted for capital projects and debt service	63,234,390	62,939,000
Unrestricted deficit	<u>(52,593,720)</u>	<u>(52,163,051)</u>
Total net position	<u>\$ 10,640,670</u>	<u>\$ 10,775,949</u>

A portion of the Authority's net position (\$63.2 million) is restricted for capital projects and debt service. Unrestricted net position has a deficit balance of \$52.6 million and is not available to meet ongoing obligations of the Authority.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Management's Discussion and Analysis (Unaudited)

	Change in Net Position	
	2015	2014
Revenues		
Program revenue -		
Charges for services - rental income	\$ 21,307,064	\$ 128,813,325
General revenue -		
Interest income and other revenue	234,948	14,028,773
Total revenues	21,542,012	142,842,098
Expenses		
Program expenses:		
Contractual services and other expenses	572,590	10,339,849
Interest and amortization expense	21,104,701	21,627,619
Total expenses	21,677,291	31,967,468
Change in net position	(135,279)	110,874,630
Net position (deficit), beginning of year	10,775,949	(100,098,681)
Net position, end of year	\$ 10,640,670	\$ 10,775,949

The Building Authority's net position decreased by \$135,251. This change essentially reflects a breakeven between revenues and expenses.

Fund Analysis

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Authority's fund level reporting is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a governmental unit's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Authority's combined governmental funds reported ending fund balances of \$63.3 million, a decrease of \$0.2 million from the prior year. A significant portion of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed to pay debt service (\$8.4 million) or capital improvement expenses (\$54.9 million).

The statement of revenues, expenditures and changes in fund balances fluctuated between fiscal year 2015 and 2014 as a result of the following:

- Principal and interest expense increased from the prior year. The Authority has begun to make principal payments on its jail facility bonds.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Management's Discussion and Analysis (Unaudited)

- The community and economic development expenditures decreased by \$9.9 million from the prior year. This is primarily due to costs associated with certain settlements for construction manager contracts and other jail site maintenance being recorded as an expense in the prior fiscal year.

Revenues represent rental payments from County departments that benefited from renovations made with bond proceeds, as well as rental payments from the State of Michigan. Annually, these revenues will equal the debt services expenditures.

Debt Administration

At the end of the current fiscal year, the Authority had bonded debt outstanding of \$227.5 million (before bond discount and premium) backed by the full faith and credit of the County, as follows:

	Governmental Activities	
	2015	2014
General obligation bonds (backed by the County)	\$ 227,465,000	\$ 237,470,000
Bond discount	(7,253)	(18,133)
Bond premium	493,732	632,837
Total bonds payable, net	\$ 227,951,479	\$ 238,084,704

Overall, debt decreased by \$10.1 million during the current fiscal year, due to principal and interest payments on the outstanding bonds. Additional information on the Authority's long-term debt can be found in Note 6 of this report.

Request for Information

This financial report is designed to provide a general overview of the Wayne County Building Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter County of Wayne, Michigan, Department of Management and Budget, Financial Reporting Division, 500 Griswold Street, 14th Floor, Detroit, Michigan 48226.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Statement of Net Position

September 30, 2015

	Governmental Activities
Assets	
Equity in pooled cash and investments	\$ 5,770,156
Due from other governments	2,715,409
Accrued interest receivable	6,996,735
Leases receivable:	
Due within one year	10,695,000
Due in more than one year	143,187,727
Restricted assets:	
Equity in pooled cash and investments	57,401,573
Other cash and investments	1,287,469
Asset held for sale (converted from capital asset)	<u>20,000,000</u>
Total assets	<u>248,054,069</u>
Deferred outflows of resources	
Deferred charge on refunding	<u>1,364,318</u>
Liabilities	
Accounts and contracts payable	10,106
Accrued interest payable	6,996,735
Other liabilities	3,819,397
Long-term liabilities:	
Due within one year	10,563,148
Due in more than one year	<u>217,388,331</u>
Total liabilities	<u>238,777,717</u>
Net position	
Restricted for capital projects and debt service	63,234,390
Unrestricted deficit	<u>(52,593,720)</u>
Total net position	<u><u>\$ 10,640,670</u></u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN
BUILDING AUTHORITY**

Statement of Activities
For the Year Ended September 30, 2015

	<u>Governmental Activities</u>
Revenues	
Program revenue -	
Charges for services - rental income	\$ 21,307,064
General revenue -	
Interest income and other revenue	<u>234,948</u>
Total revenues	<u>21,542,012</u>
Program expenses	
Contractual services and other expenses	572,590
Interest and amortization expense	<u>21,104,701</u>
Total program expenses	<u>21,677,291</u>
Change in net position	(135,279)
Net position, beginning of year	<u>10,775,949</u>
Net position, end of year	<u><u>\$ 10,640,670</u></u>

See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Balance Sheet

September 30, 2015

	General Operating Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Equity in pooled cash and investments	\$ 119,068	\$ 5,651,088	\$ -	\$ 5,770,156
Restricted assets:				
Equity in pooled cash and investments	-	-	57,401,573	57,401,573
Other cash and investments	1,287,369	-	100	1,287,469
Due from other governments	-	2,715,409	-	2,715,409
Total assets	<u>\$ 1,406,437</u>	<u>\$ 8,366,497</u>	<u>\$ 57,401,673</u>	<u>\$ 67,174,607</u>
Liabilities				
Accounts payable	\$ 8,356	\$ 1,750	\$ -	\$ 10,106
Other liabilities	-	-	3,819,399	3,819,399
Total liabilities	<u>8,356</u>	<u>1,750</u>	<u>3,819,399</u>	<u>3,829,505</u>
Fund balances				
Restricted for capital improvements	1,287,369	-	53,582,274	54,869,643
Restricted for debt service	-	8,364,747	-	8,364,747
Unassigned	110,712	-	-	110,712
Total fund balances	<u>1,398,081</u>	<u>8,364,747</u>	<u>53,582,274</u>	<u>63,345,102</u>
Total liabilities and fund balances	<u>\$ 1,406,437</u>	<u>\$ 8,366,497</u>	<u>\$ 57,401,673</u>	<u>\$ 67,174,607</u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN
BUILDING AUTHORITY**

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position**

September 30, 2015

Fund balances - total governmental funds	\$ 63,345,102
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Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital lease and related accrued interest receivables (due from other funds of the County) are not current financial resources and therefore are not reported in the funds	160,879,464
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Assets converted from capital assets held for sale in governmental activities are not financial resources and therefore is not reported in the governmental funds	20,000,000
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Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental fund	
Bonds payable	(227,465,000)
Bond discount	7,253
Bond premium	(493,732)
Accrued interest payable	(6,996,735)
Loss on refunding	1,364,318

Net position of governmental activities	<u><u>\$ 10,640,670</u></u>
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See accompanying notes to the basic financial statements.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Statement of Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2015

	General Operating Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Building rents	\$ 1,412,797	\$ 30,143,216	\$ -	\$ 31,556,013
Interest income	64	3,279	231,605	234,948
	<u>1,412,861</u>	<u>30,146,495</u>	<u>231,605</u>	<u>31,790,961</u>
Expenditures				
Contractual services	218,738	-	-	218,738
Community and economic development	174,413	-	-	174,413
Capital outlay	-	-	179,439	179,439
Debt service:				
Principal	-	10,005,000	-	10,005,000
Interest	-	21,004,869	-	21,004,869
	<u>393,151</u>	<u>31,009,869</u>	<u>179,439</u>	<u>31,582,459</u>
Total expenditures	<u>393,151</u>	<u>31,009,869</u>	<u>179,439</u>	<u>31,582,459</u>
Revenues over (under) expenditures	<u>1,019,710</u>	<u>(863,374)</u>	<u>52,166</u>	<u>208,502</u>
Other financing sources (uses)				
Transfers in	-	878,375	-	878,375
Transfers out	(878,375)	-	-	(878,375)
	<u>(878,375)</u>	<u>878,375</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(878,375)</u>	<u>878,375</u>	<u>-</u>	<u>-</u>
Net change in fund balances	141,335	15,001	52,166	208,502
Fund balances, beginning of year	<u>1,256,746</u>	<u>8,349,746</u>	<u>53,530,108</u>	<u>63,136,600</u>
Fund balances, end of year	<u><u>\$ 1,398,081</u></u>	<u><u>\$ 8,364,747</u></u>	<u><u>\$ 53,582,274</u></u>	<u><u>\$ 63,345,102</u></u>

See accompanying notes to the basic financial statements.

**CHARTER COUNTY OF WAYNE, MICHIGAN
BUILDING AUTHORITY**

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities**

For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$ 208,502
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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 the revenue is reported in the current year upon project completion and collections are recorded as reductions of leases receivable.	(10,248,949)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces bonds payable in the statement of net position.	10,005,000
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Expenses in the statement of activities that do not require the use of current financial resources are not reported in governmental funds:

Change in accrued interest payable	191,784
Amortization of loss on refunding	(419,841)
Amortization of bond discounts	(10,880)
Amortization of bond premiums	139,105

Change in net position of governmental activities	<u><u>\$ (135,279)</u></u>
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See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Wayne County 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 revenues 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.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-wide Financial Statements

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

The government-wide statements of net position and activities report the overall financial activity of the Authority. Governmental activities are financed through intergovernmental revenues.

The statement of activities presents a comparison between direct expenses and program revenues for the Authority's governmental activities. Program revenues include charges paid by the recipients of goods or services offered by the programs. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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 Authority considers revenues to be available if they are collected within ninety days of the end of the current fiscal year. 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. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt are recorded when payment is due. Proceeds of long-term debt are reported as other financing sources. Administrative overhead charges are included in direct expenses.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

The accounts of the Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

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 Authority 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.

The financial statements of the Authority include the following fund types:

Governmental Funds

- *General Operating Fund* – This fund accounts for all financial resources and expenditures except those accounted for and reported in another fund.
- *Debt Service Fund* – This fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.
- *Capital Projects Fund* – This 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.

Assets, Deferred Outflows of Resources, Liabilities and Net Position or Equity

Cash and Investments - Cash resources of the Authority are pooled and invested. Interest on pooled investments is allocated among the respective funds based on average investment balances. Securities traded on national and international exchanges are valued at last reported sales price at current exchange rates, which represent fair value. Gains or losses on investments sold or exchanged are recognized when the transactions are completed, which approximates their settlement dates.

Assets Held for Sale (Converted from Capital Assets) - This relates to the Authority's jail facility project that is discussed in greater detail in Note 8.

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.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

Bond Premiums and Bond Discounts - In the government-wide financial statements, bond premiums and bond 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 premiums and discounts.

In the fund financial statements, governmental fund types recognize bond discounts and premiums during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses, respectively.

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. This is reported in the Statement of Net Position as a separate element called deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Fund Balance/Net Position - In the fund financial statements, governmental funds report the following components of fund balance:

- Restricted - Amounts that are legally restricted by outside parties, constitutional provisions or enabling legislation for use of a specific purpose
- Unassigned - Residual amounts remaining in the general operating fund and negative amounts in other governmental funds.

The government-wide financial statements utilize a net position presentation. Net position is typically categorized for the Authority as restricted and unrestricted. Net position is restricted when externally imposed by creditors, grantors, contributors, laws or regulations or constitutional provisions.

Interfund Transactions - Interfund transactions include the following:

- a. Services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or internal balances in the Statement of Net Position.
- b. Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.
- c. Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

2. CASH AND INVESTMENTS

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 except for \$1.3 million in separately held demand deposit accounts, was \$63.2 million. 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.

3. 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, 2015, the Authority had restricted assets of \$1.3 million for operating and maintenance and \$57.4 million for construction.

4. LEASES RECEIVABLE

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 long-term receivable balance of \$31.1 million is equal to the principal due on the 1996A, 2007B and 2011F series bonds.

Following is a summary of the components of the Authority's net investment in direct financing leases at September 30, 2015:

Total minimum lease payments to be received	\$ 416,509,282
Unearned income	(189,044,282)
Adjustments	<u>(73,582,273)</u>
Net leases receivable	<u><u>\$ 153,882,727</u></u>
Statement of net position classification:	
Current portion of leases receivable	\$ 10,695,000
Long-term portion of leases receivable	<u>143,187,727</u>
Total	<u><u>\$ 153,882,727</u></u>

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

Minimum lease payments receivable as of September 30, 2015 are as follows:

	Series 2007B Bonds	Series 1996A Bonds	Series 2010 Bonds	Series 2011F Revenue Bonds	Total
2016	\$ 3,546,625	\$ 3,878,463	\$ 14,277,486	\$ 957,975	\$ 22,660,549
2017	3,554,687	-	14,280,323	949,175	18,784,185
2018	3,555,250	-	14,276,770	950,375	18,782,395
2019	3,541,375	-	14,278,691	968,875	18,788,941
2020	-	-	14,279,929	1,000,875	15,280,804
2021-2025	-	-	71,392,644	5,215,127	76,607,771
2026-2030	-	-	71,396,050	4,944,190	76,340,240
2031-2035	-	-	71,397,750	5,513,589	76,911,339
2036-2040	-	-	71,393,475	5,848,552	77,242,027
2041-2042	-	-	14,279,425	831,606	15,111,031
Total payments	14,197,937	3,878,463	371,252,543	27,180,339	416,509,282
Less interest	(1,292,937)	(193,463)	(174,917,543)	(12,640,339)	(189,044,282)
Less adjustments	-	-	(73,582,273)	-	(73,582,273)
Present value of minimum lease payments, net	<u>\$ 12,905,000</u>	<u>\$ 3,685,000</u>	<u>\$ 122,752,727</u>	<u>\$ 14,540,000</u>	<u>\$ 153,882,727</u>

The above adjustments are for unexpended bond proceeds of \$53,582,273 and the estimated value of asset held for sale of \$20,000,000.

5. INTERFUND TRANSFERS AND BALANCES

During the year, the general operating fund transferred \$878,375 to the debt service fund for repayment of principal and interest.

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

6. DEBT AND OTHER OBLIGATIONS

The details of the Authority's long-term obligations at September 30, 2015 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Bonds payable					
Series 1996A, 4.0% to 6.5%, due serially to June 2016	\$ 7,185,000	\$ -	\$ (3,500,000)	\$ 3,685,000	\$ 3,685,000
Series 2007B, 4.25% to 5.75%, due serially to December 2018	15,610,000	-	(2,705,000)	12,905,000	3,000,000
Series 2010 (Jail), 6.22% to 10.0%, due serially to December 2040	200,000,000	-	(3,665,000)	196,335,000	3,790,000
Series 2011F, 3.0% to 5.25%, due serially to October 2041	14,675,000	-	(135,000)	14,540,000	220,000
	237,470,000	-	(10,005,000)	227,465,000	10,695,000
Bond discounts	(18,133)	-	10,880	(7,253)	7,253
Bond premiums	632,837	-	(139,105)	493,732	(139,105)
Total bonds payable, net	<u>\$ 238,084,704</u>	<u>\$ -</u>	<u>\$ (10,133,225)</u>	<u>\$ 227,951,479</u>	<u>\$ 10,563,148</u>

The annual requirements to pay principal and interest on the debt outstanding as of September 30, 2015 are as follows:

	Principal	Interest	Interest Subsidy	Total
2016	\$ 10,695,000	\$ 20,546,219	\$ (7,942,982)	\$ 23,298,237
2017	7,305,000	19,943,541	(7,971,119)	19,277,422
2018	7,620,000	19,497,025	(7,828,782)	19,288,243
2019	8,015,000	18,938,325	(7,663,071)	19,290,254
2020	4,825,000	18,441,200	(7,488,866)	15,777,334
2021-2025	28,255,000	85,259,027	(34,504,879)	79,009,148
2026-2030	36,100,000	70,951,553	(28,431,785)	78,619,768
2031-2035	47,680,000	51,463,589	(20,154,091)	78,989,498
2036-2040	62,645,000	25,723,052	(9,324,530)	79,043,522
2041-2042	14,325,000	1,395,106	(289,006)	15,431,100
	<u>\$ 227,465,000</u>	<u>\$ 332,158,637</u>	<u>\$ (131,599,111)</u>	<u>\$ 428,024,526</u>

CHARTER COUNTY OF WAYNE, MICHIGAN BUILDING AUTHORITY

Notes to the Basic Financial Statements

7. 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.

8. COMMITMENTS AND CONTINGENCIES

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, are not expected to be material. Except for the information below, see the County's CAFR for further discussion of commitments and contingencies.

Wayne County Building Authority - Consolidated Jail Project

A Memorandum of Understanding (MOU) was signed on December 5, 2013 between Wayne County, the Wayne County Building Authority and Rock Ventures, LLC for the proposed development and disposition of the Justice Property, including the partially constructed jail parcel, Frank Murphy Hall of Justice, the Juvenile Detention Facility and the two downtown jails for \$50 million; \$20 million for the jail parcel and \$30 million in the aggregate for the balance of the Justice Property. The provisions of the MOU were non-binding and allowed for the parties to have a period of 180 days to assess the viability and desirability of proceeding with the transactions contemplated by the MOU. The execution of the purchase agreement was contingent on the County obtaining an acceptable development and use agreement regarding the development of the State of Michigan's vacant correctional facility located on Mound Road in Detroit, Michigan. The Authority will maintain the jail parcel as an asset available for sale until a plan for the jail site is approved by the State or the site is sold.

As of the date of issuance of this report, both parties have fully performed the terms of the MOU. Rock Ventures has completed its due diligence and the County has neither solicited nor negotiated with a third party for the development of the Justice Property.

The County is currently in the process of evaluating the options to complete the Gratiot jail site and what the cost of completion is expected to be with each option. A final plan will be presented to the State Treasury Department for its review and approval with the next three to six months.

The Authority has settled with the primary contractor for all the subcontractors with the exception of one for which the Authority's responsibility to pay for that subcontractor is limited to the first \$3,782,461 of the amount negotiated between the primary contractor and the subcontractor. Any amount in excess of that will be the primary contractor's responsibility.

9. BUDGET MATTERS

The Building Authority has not adopted a budget for the general operating fund. Therefore, no budgetary comparison schedule is presented as required supplementary information.

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