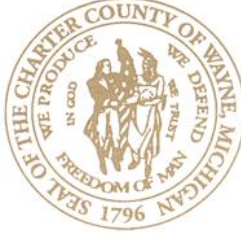


Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA
AUDITOR GENERAL



500 GRISWOLD STREET
STE. 842 GUARDIAN BLDG
DETROIT, MICHIGAN 48226

TELEPHONE: (313) 224-8354

June 17, 2025

FINAL REPORT TRANSMITTAL LETTER

Honorable Wayne County Commissioners:

Enclosed is our copy of the Office of Legislative Auditor General's Financial Assessment – Limited Review report for the Wayne County Sewage Disposal Systems audited financial statements for the fiscal year ended September 30, 2024. Our report is dated May 30, 2025; DAP No. 2025-57-903. The report was accepted by the Committee on Audit at its meeting held on June 11, 2025, and formally received by the Wayne County Commission on June 17, 2025.

We are pleased to inform you that officials from the Wayne County Department of Public Services provided their full cooperation. If you have any questions, concerns, or desire to discuss the report in greater detail, we would be happy to do so at your convenience. This report is intended for your information and should not be used for any other purpose. Copies of all Office of Legislative Auditor General's final reports can be found on our website at:

<http://www.waynecounty.com/elected/commission/oag/legislative-auditor.aspx>

Marcella Cora, CPA, CIA, CICA
Auditor General

REPORT DISTRIBUTION

Wayne County Department of Public Services

Oladeyo Akinyemi, Director, Department of Public Services
Elmeka Steele, Deputy Director, Environmental Services

Wayne County Department of Management and Budget

John Wallace, Chief Financial Officer
Yogesh Gusani, Deputy Chief Financial Officer
Shauntika Bullard, Director, Grants and Contract Management
Alessia Baker-Giles, Division Director, Management & Budget-ESD Finance
Jessica Kenyon, Assistant Division Director, M&B ESD Finance

Wayne County Executive



WAYNE COUNTY OFFICE OF LEGISLATIVE AUDITOR GENERAL

County of Wayne, Michigan
Office of Legislative Auditor General

Financial Assessment – Limited Review Report

**Wayne County Sewage Disposal Systems
Year Ended September 30, 2024
Financial Statements**

DAP No. 2025-57-903

May 30, 2024

Office of Legislative
Auditor General

MARCELLA CORA CPA, CIA, CICA
AUDITOR GENERAL



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TELEPHONE: (313) 224-8354

May 30, 2025

DAP No. 2025-57-903

Honorable Melissa Daub, Chairwoman
Committee on Audit
Wayne County Commission
County of Wayne, Michigan
500 Griswold Ave., Suite 727
Detroit, MI 48226

Subject: Office of Legislative Auditor General's Financial Assessment – Limited Review Report for the Wayne County Sewage Disposal Systems Audited Financial Statements for the fiscal year ended September 30, 2024

Dear Chairwoman Daub:

The Office of Legislative Auditor General (OAG) received the Wayne County Sewage Disposal Systems (the Systems) financial statements together with the Independent Auditor's Report for the fiscal year ended September 30, 2024 (Appendix A). Because we have performed more extensive financial reviews of the Systems financial statements in years past in accordance with professional attestation standards, and determined they were complete, thorough, and in accordance with generally accepted accounting principles, we elected to conduct a limited review of the financial statements for the fiscal year ended September 30, 2024.

Our limited review is substantially less in scope than an examination or audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) or Generally Accepted Auditing Standards (GAAS), the objective of which is the expression of an opinion on the audited financial statements. Accordingly, we do not express such an opinion.

Our limited review of the Systems audited financial statements, for the fiscal year ended September 30, 2024, included, but was not necessarily limited to, a thorough and complete review of the documents; limited inquiries of county officials; and analytical review procedures. Below, we have summarized some key items from the financial and other reports for consideration by the Committee and Commission members.

Background

The Wayne County Sewage Disposal Systems include the Rouge Valley Sewage Disposal System (Rouge Valley) and Combined Sewer Overflow Basins (CSO Basins), collectively referred to as “the Systems”. The Systems are presented as Enterprise Funds in the County’s Annual Comprehensive Financial Report (ACFR). Enterprise Funds are used to account for the operations of business-type activities, track the fiscal activities associated with the operations and maintenance of the Systems.

The Rouge Valley Sewage Disposal System handles the operation and maintenance of the Rouge Valley sewage treatment facilities. The Combined Sewer Overflow Basins (CSO Basins) fund accounts for the activities related to the construction of combined sewer overflow basins in the cities of River Rouge, Inkster, Redford, and Dearborn Heights to reduce wet weather overflow to the rivers and increase the flow to the sewage treatment plants. Wayne County, through its Department of Public Services, owns and operates the systems in accordance with enabling legislation and service agreements.

Materials and services supplied by outside vendors or other County operations are charged to the system responsible for such expenses when incurred. Certain other services are shared among the Systems and other County operations, with the proportionate cost of these services being billed to the individual system based upon actual services provided.

External Auditors Reports and Letters

- Plante Moran, PLLC, the independent external auditor, issued an unmodified opinion on the Sewage Disposal System financial statements for the fiscal year ended September 30, 2024. The opinion stated that the information for the Sewage Disposal Systems as of September 30, 2024, is fairly stated in all material respects in relation to the County’s basic financial statements as a whole. This unmodified opinion is issued by an auditor when the financial statements presented are free of material misstatements and are represented fairly in accordance with the Generally Accepted Accounting Principles. It is the best type of opinion an entity may receive from an external auditor.
- The financial statements of the Sewage Disposal Systems have been included in the County’s Annual Comprehensive Financial Report (ACFR) as enterprise funds.
- The auditor noted under Required Supplemental Information management has omitted the management’s discussion and analysis that is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting. However, their opinion on the basic financial statements is not affected by the missing information.

Financial Highlights

The statement of net position is a useful tool for measuring the financial health of an entity. Over time, increases or decreases in net position are an indicator of whether the financial health of an organization is improving or deteriorating.

Statement of Net Position (In Thousands)

Description	FY 2024	FY 2023	Increase (Decrease)	% Change	Primary Reasons
Total assets	\$128,159	\$117,142	\$11,017	9%	Primarily due to an increase in pooled cash and investments of \$5.7M, an increase in receivables of \$5.4M.
Total liabilities	\$37,444	\$28,551	\$8,893	31%	Increase primarily due to an increase in other liabilities offset by a decrease in accounts and contracts payable.
Total net position	\$90,715	\$88,591	\$2,124	2%	Increase primarily due to investment income, collections from local units partially offset by an increase in liabilities

Net position represents the difference between total assets and total liabilities. Net position increased by approximately \$2.1 million or 2% over the prior year due primarily to collections from local units and federal grant revenue with operating expenses exceeding operating revenues by \$0.5 million.

Cash and Investments

The carrying amount of the Systems' pooled cash and investments, which are deposited entirely in the County Treasurer's internal cash management pool, was \$21.3 million on September 30, 2024 as compared to \$15.6 million on September 30, 2023

Restricted Assets

The Systems' restricted assets are composed of receivables from local units of \$1.8 million as of September 30, 2024, and 2023. Bond principal due from municipalities was recorded upon the issuance of debt payable from judgement levies for construction of sewage facilities and systems. Such principal will be repaid by the benefited local communities in accordance with the debt service requirements of the County.

Long Term Debt and Other Obligations

As of September 30, 2024, total long-term debt and other obligations totaled \$20.7 million. The Sewage Disposal System primarily issues two types of bonds:

- *General Obligation Bonds* for which the County has pledged its limited tax full faith and credit for repayment. These bonds are primarily payable from the proceeds received from the respective communities. The principal balance outstanding for these bonds was approximately \$1.7 million as of September 30, 2024.
- *Revenue Bonds*, which are secondarily secured by the limited tax full faith and credit pledge of the County. These bonds are primarily payable from the charges for sewage disposal services assessed against the communities. The principal balance outstanding for these bonds was approximately \$19 million as of September 30, 2024.

Conclusion and Recommendation:

Based on our limited review, nothing came to our attention that caused us to believe the financial report, including the audited financial statements of the Sewage Disposal Systems are not presented in conformity with generally accepted accounting principles.

It is our recommendation that the OAG's Financial Assessment – Limited Review Report of the Sewage Disposal Systems financial statements for fiscal year ended September 30, 2024, be forwarded to the Wayne County Commission for receiving and filing.

Respectfully submitted,



Marcella Cora, CPA, CIA, CICA
Auditor General

Cc: Oladeyo Akinyemi, Director, Department of Public Services
Elmeka Steele, Deputy Director, Environmental Services
John Wallace, Chief Financial Officer, Management & Budget
Alessia Baker-Giles, Division Director, Management & Budget-ESD Finance
Jessica Kenyon, Assistant Division Director, Management & Budget-ESD Finance
Yogesh Gusani, Deputy Chief Financial Officer, Wayne County Management & Budget
Shauntika Bullard, Director, Grants and Contract Management, Management & Budget

Appendix A

Wayne County Sewage Disposal Systems Financial Statements Fiscal Year Ended September 30, 2024

Charter County of Wayne, Michigan Sewage Disposal Systems

Financial Report
September 30, 2024

Charter County of Wayne, Michigan Sewage Disposal Systems

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Independent Auditor's Report

To the Wayne County Commission and
the County Executive
Charter County of Wayne, Michigan
Sewage Disposal Systems

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, 2024 and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 19, 2025, 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 opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to May 19, 2025.

In Relation to Opinion on Accompanying Financial Statements

The accompanying financial statements of the Rouge Valley Sewage Disposal System Fund and the Combined Sewer Overflow (CSO) Basins Fund (collectively, the "Systems") of the Charter County of Wayne, Michigan as of and for the year ended September 30, 2024 are presented for the purpose of additional analysis and are not a required part of the County's 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 County's basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the County's 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 County's basic financial statements or to the County's 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 County's basic financial statements as a whole.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statements of the Charter County of Wayne, Michigan as of and for the year ended September 30, 2023 (not presented herein) and issued our report thereon dated March 22, 2024, which contained unmodified opinions on the respective 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. The financial information for the Systems for the year ended September 30, 2023 is presented for the purpose of additional analysis and is not a required part of the County's basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The financial information for the Systems for the year ended September 30, 2023 has been subjected to the auditing procedures applied in the audit of the County's basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial information for the Systems is fairly stated in all material respects in relation to the County's basic financial statements as a whole for the year ended September 30, 2023.

To the Wayne County Commission and
the County Executive
Charter County of Wayne, Michigan
Sewage Disposal Systems

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Systems and do not purport to, and do not, present fairly the financial position of the Charter County of Wayne, Michigan as of September 30, 2024 or the changes in its financial position or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements of the Systems. Such missing information, although not a part of the financial statements of the Systems, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements of the Systems 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

May 19, 2025

Charter County of Wayne, Michigan Sewage Disposal Systems

Statement of Net Position

September 30, 2024

	Rouge Valley	CSO Basins	2024	2023 (For Comparative Purposes Only)
Assets				
Current assets:				
Equity in pooled cash and investments (Note 2)	\$ 18,267,180	\$ 3,077,133	\$ 21,344,313	\$ 15,621,450
Receivables:				
Due from other governments	13,576,403	7,474,992	21,051,395	16,297,965
Other receivables	659,287	-	659,287	15,415
Total current assets	32,502,870	10,552,125	43,054,995	31,934,830
Noncurrent assets:				
Restricted assets - Bond principal due from municipalities (Note 3)	-	1,761,542	1,761,542	1,758,364
Capital assets: (Note 4)				
Assets not subject to depreciation	15,927,008	-	15,927,008	13,350,458
Assets subject to depreciation - Net	67,415,784	-	67,415,784	70,098,530
Total noncurrent assets	83,342,792	1,761,542	85,104,334	85,207,352
Total assets	115,845,662	12,313,667	128,159,329	117,142,182
Liabilities				
Current liabilities:				
Accounts and contracts payable	526,674	12,302	538,976	5,294,946
Due to other governmental units	-	460,615	460,615	460,615
Payable to Wayne County, Michigan	-	5,159,531	5,159,531	4,244,533
Unearned revenue	527,613	-	527,613	-
Other liabilities	9,931,454	78,303	10,009,757	4,976,753
Current portion of long-term debt (Note 5)	1,358,000	155,000	1,513,000	1,145,000
Total current liabilities	12,343,741	5,865,751	18,209,492	16,121,847
Noncurrent liabilities - Long-term debt - Net of current portion (Note 5)	17,628,164	1,606,542	19,234,706	12,429,438
Total liabilities	29,971,905	7,472,293	37,444,198	28,551,285
Net Position				
Net investment in capital assets	64,356,628	-	64,356,628	71,632,914
Restricted - Bond programs	9,300	3,077,133	3,086,433	2,996,817
Unrestricted	21,507,829	1,764,241	23,272,070	13,961,166
Total net position	<u>\$ 85,873,757</u>	<u>\$ 4,841,374</u>	<u>\$ 90,715,131</u>	<u>\$ 88,590,897</u>

Charter County of Wayne, Michigan Sewage Disposal Systems

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended September 30, 2024

	Rouge Valley	CSO Basins	2024	2023 (For Comparative Purposes Only)
Operating Revenue				
Sewage disposal charges	\$ 57,869,891	\$ 53,100	\$ 57,922,991	\$ 59,115,454
Other charges for services	-	3,050,336	3,050,336	3,169,059
Total operating revenue	57,869,891	3,103,436	60,973,327	62,284,513
Operating Expenses				
Materials and supplies	3,431	98,108	101,539	97,134
Contractual services	56,394,443	1,883,507	58,277,950	58,450,339
Miscellaneous operating	80,276	286,796	367,072	424,172
Rentals	797	-	797	6,092
Depreciation	2,682,746	-	2,682,746	2,707,735
Total operating expenses	59,161,693	2,268,411	61,430,104	61,685,472
Operating (Loss) Income	(1,291,802)	835,025	(456,777)	599,041
Nonoperating Revenue (Expense)				
Investment income (expense) - Net	831,092	(93,259)	737,833	612,298
Collections from participating local units	1,371,073	205,674	1,576,747	1,008,666
Federal grant revenue	700,000	-	700,000	957,000
Interest and fiscal charges	(386,073)	(47,496)	(433,569)	(264,666)
Total nonoperating revenue	2,516,092	64,919	2,581,011	2,313,298
Change in Net Position	1,224,290	899,944	2,124,234	2,912,339
Net Position - Beginning of year	84,649,467	3,941,430	88,590,897	85,678,558
Net Position - End of year	\$ 85,873,757	\$ 4,841,374	\$ 90,715,131	\$ 88,590,897

Charter County of Wayne, Michigan Sewage Disposal Systems

Statement of Cash Flows

Year Ended September 30, 2024

	Rouge Valley	CSO Basins	2024	2023 (For Comparative Purposes Only)
Cash Flows from Operating Activities				
Receipts from customers	\$ 54,466,725	\$ 1,379,913	\$ 55,846,638	\$ 58,293,093
Payments to suppliers	(56,194,701)	(2,275,623)	(58,470,324)	(55,049,268)
Net cash and cash equivalents (used in) provided by operating activities	(1,727,976)	(895,710)	(2,623,686)	3,243,825
Cash Flows Provided by Noncapital Financing Activities - Net loans received from other county funds and component units	-	914,998	914,998	1,264,856
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	8,155,090	158,178	8,313,268	4,364,193
Receipt of capital grants	957,000	-	957,000	-
Interest received from participating local units	386,073	47,496	433,569	272,795
Bond principal received from municipalities	985,000	155,000	1,140,000	890,871
Purchase of capital assets	(2,576,550)	-	(2,576,550)	(10,457,188)
Principal paid on capital debt	(985,000)	(155,000)	(1,140,000)	(900,000)
Interest paid	(386,073)	(47,496)	(433,569)	(264,666)
Net cash and cash equivalents provided by (used in) capital and related financing activities	6,535,540	158,178	6,693,718	(6,093,995)
Cash Flows Provided by (Used in) Investing Activities - Investment earnings (loss)	831,092	(93,259)	737,833	612,298
Net Increase (Decrease) in Cash and Cash Equivalents	5,638,656	84,207	5,722,863	(973,016)
Cash and Cash Equivalents - Beginning of year	12,628,524	2,992,926	15,621,450	16,594,466
Cash and Cash Equivalents - End of year	<u>\$ 18,267,180</u>	<u>\$ 3,077,133</u>	<u>\$ 21,344,313</u>	<u>\$ 15,621,450</u>
Reconciliation of Operating (Loss) Income to Net Cash and Cash Equivalents (Used in) Provided by Operating Activities				
Operating (loss) income	\$ (1,291,802)	\$ 835,025	\$ (456,777)	\$ 599,041
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	2,682,746	-	2,682,746	2,707,735
Changes in assets and liabilities:				
Due from other governments and other receivables	(3,403,166)	(1,723,523)	(5,126,689)	(3,991,420)
Accounts payable and other liabilities	284,246	(7,212)	277,034	3,928,469
Net cash and cash equivalents (used in) provided by operating activities	<u>\$ (1,727,976)</u>	<u>\$ (895,710)</u>	<u>\$ (2,623,686)</u>	<u>\$ 3,243,825</u>

September 30, 2024

Note 1 - Significant Accounting Policies

Reporting Entity

The Rouge Valley Sewage Disposal System (Rouge Valley) and Combined Sewer Overflow Basins (CSO Basins), which are tributary to the Sewage Disposal Systems (collectively, the "Systems"), are enterprise funds of the Charter County of Wayne, Michigan (the "County"). The County owns and operates the various systems and basins in accordance with enabling legislation and service agreements.

Materials and services supplied by outside vendors or other county operations are charged to the system responsible for such expenses when incurred. Certain other services are shared among the Systems and other county operations, with the proportionate cost of these services being billed to the individual system based upon actual services provided.

These financial statements present only the Systems and are not intended to present the financial position and results of operation of the County in conformity with United States generally accepted accounting principles.

The financial statements of the Systems are included in the County's Annual Comprehensive Financial Report, reported as enterprise funds. The County's Annual Comprehensive Financial Report can be obtained by contacting the Office of Management and Budget, 500 Griswold, 14th Floor, Detroit, MI 48226.

Accounting and Reporting Principles

The Systems follow 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 Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Systems:

Basis of Accounting

The Systems use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Cash resources of the individual funds of the County, except as specifically stated by ordinance, are pooled and invested. Interest on pooled investments is allocated among the respective funds based on average investment balances.

Investments

Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. For the purpose of the statement of cash flows, the Systems consider all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents. All pooled investments qualify as cash equivalents.

Due from Other Governments

Due from other governmental units represents receivables from local municipalities for sewage disposal. The balance sheet (aging) method is used to estimate the reserve for uncollectible amounts, if any.

Note 1 - Significant Accounting Policies (Continued)

Payable to Wayne County, Michigan

Amounts payable to Wayne County, Michigan represent borrowings from the County's General Fund.

Other Liabilities

Other liabilities represent the accrual for operating expenses recorded after the accounts payable process had concluded.

Restricted Assets

Bond principal due from municipalities was recorded upon the issuance of debt payable from judgment levies for construction of sewage facilities and systems.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are defined by the Systems as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Salaries and employee benefit costs incurred during the construction of capital assets are included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings and improvements	5-25
Machinery, equipment, and vehicles	5-25
Infrastructure (interceptors and appurtenances)	25-80

Long-term Obligations

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, whereas deferred amounts on refunding are to be reported as deferred outflows of resources.

Net Position

Net position of the Systems is classified in three components:

Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted net position has been limited for use by grantors, contributors, laws, regulations, or constitutional provisions.

Unrestricted net position is the remaining net position that does not meet the definition of invested in capital assets or restricted.

September 30, 2024

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The Systems 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, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Systems' policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Sewage Disposal Revenue

Rouge Valley's revenue is based on consumption. CSO Basins' revenue is based on the recovery of operation and maintenance costs from the communities they serve.

Contractual Services

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

Classification of Revenue and Expenses

The Systems' funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the Systems' principal ongoing operations. The principal operating revenue is charges to customers for sales and services. Operating expenses for the Systems' funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Risk Management

The Systems participate in the County's self-insurance program for its various risk-exposure coverages. See the County's Annual Comprehensive Financial Report for further discussion of this program.

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.

Comparative Data

Comparative total data for the prior year has been presented in order to provide an understanding of the changes in the financial position and operations of the Systems.

Note 2 - Cash and Investments

The carrying amount of the Systems' pooled cash and investments, which are deposited entirely in the county treasurer's internal cash management pool, was \$21.3 million for the year ended September 30, 2024.

For the year ended September 30, 2023, the Systems' amount of pooled cash and investments deposited in the county treasurer's internal cash management pool was \$15.6 million.

Because it is not feasible to allocate risk to individual funds or pool participants, aggregate cash and investment categories are presented in the County's basic financial statements.

Charter County of Wayne, Michigan Sewage Disposal Systems

Notes to Financial Statements

September 30, 2024

Note 3 - Restricted Assets

The Systems' restricted assets are composed of receivables from local units of \$1,761,542 and \$1,758,364 as of September 30, 2024 and 2023, respectively. Bond principal due from municipalities was recorded upon the issuance of debt payable from judgment levies for construction of sewage facilities and systems. Such principal will be repaid by the benefited local communities in accordance with the debt services requirements of the County.

Note 4 - Capital Assets

Capital assets are capitalized in the fund in which they are utilized. Capital asset activity of the Systems' funds was as follows:

	Balance October 1, 2023	Additions	Disposals and Adjustments	Balance September 30, 2024
Rouge Valley				
Capital assets not being depreciated:				
Land	\$ 1,448,847	\$ -	\$ -	\$ 1,448,847
Construction in progress	11,901,611	2,576,550	-	14,478,161
Subtotal	13,350,458	2,576,550	-	15,927,008
Capital assets being depreciated:				
Buildings and improvements	8,622,138	-	-	8,622,138
Machinery and equipment	370,672	-	-	370,672
Infrastructure	143,510,279	-	-	143,510,279
Subtotal	152,503,089	-	-	152,503,089
Accumulated depreciation:				
Buildings and improvements	8,582,471	11,377	-	8,593,848
Machinery and equipment	369,690	982	-	370,672
Infrastructure	73,452,398	2,670,387	-	76,122,785
Subtotal	82,404,559	2,682,746	-	85,087,305
Net capital assets being depreciated	70,098,530	(2,682,746)	-	67,415,784
Net business-type activities capital assets	\$ 83,448,988	\$ (106,196)	\$ -	\$ 83,342,792

Construction Commitments

The Systems have active construction projects at year end. As of September 30, 2024, the Systems' commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Rouge Valley Manhole Rehabilitation and Lining Replacement	\$ 4,203,861	\$ 1,031,139
Rouge Valley Sewer Rehabilitation Project and Lift Station Upgrades	9,155,320	414,681
Rouge Valley Red Run Sewer Abandonment and Relocation Project	1,118,980	28,881,019
Total	\$ 14,478,161	\$ 30,326,839

Charter County of Wayne, Michigan Sewage Disposal Systems

Notes to Financial Statements

September 30, 2024

Note 5 - Long-term Debt

Long-term debt activity for the year ended September 30, 2024 can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Direct borrowings and direct placements:					
Revenue bonds	\$ 11,816,074	\$ 8,155,090	\$ (985,000)	\$ 18,986,164	\$ 1,358,000
General obligations	1,758,364	158,178	(155,000)	1,761,542	155,000
Total business-type activities long-term debt	<u>\$ 13,574,438</u>	<u>\$ 8,313,268</u>	<u>\$ (1,140,000)</u>	<u>\$ 20,747,706</u>	<u>\$ 1,513,000</u>

General Obligation Bonds and Contracts

The Systems issue general obligation bonds to provide for the acquisition and construction of major capital facilities. In the case of CSO Basins, ownership of the assets lies with the communities. General obligation bonds are direct obligations and pledge the full faith and credit of the Systems. County contractual agreements and installment purchase agreements are also general obligations of the Systems. General obligations outstanding at September 30, 2024 are as follows:

Purpose	Year of Maturity	Interest Rates	Original Amount	Outstanding
CSO Basins:				
2011A-3	2030	2.50%	\$ 275,368	\$ 120,368
2011A-4	2032	2.50%	760,000	350,000
SRF 5430-02	2036	2.50%	2,175,000	1,291,174
Total CSO Basins			<u>\$ 3,210,368</u>	<u>\$ 1,761,542</u>

Revenue Bonds

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets and to pay debt service. Revenue bonds currently outstanding are as follows:

Purpose	Year of Maturity	Interest Rates	Original Amount	Outstanding
Rouge Valley:				
SRF-5350-01	2031	2.50%	\$ 11,426,417	\$ 4,643,417
2015 (5402-01)	2036	2.50%	3,365,000	1,877,337
SRF-5702-01	2043	1.88%	2,536,386	3,972,260
SRF-5748-01	2044	1.88%	2,246,775	8,493,150
Total Rouge Valley			<u>\$ 19,574,578</u>	<u>\$ 18,986,164</u>

Charter County of Wayne, Michigan Sewage Disposal Systems

Notes to Financial Statements

September 30, 2024

Note 5 - 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 September 30	Rouge Valley		CSO Basins	
	Direct Borrowings and Direct Placements		Direct Borrowings and Direct Placements	
	Principal	Interest	Principal	Interest
2025	\$ 1,358,000	\$ 382,994	\$ 155,000	\$ 44,039
2026	1,390,000	358,533	160,000	40,164
2027	1,425,000	327,283	160,000	36,164
2028	1,460,000	295,189	170,000	32,164
2029	1,485,000	262,345	175,000	27,914
2030-2034	5,698,417	877,866	805,368	73,925
2035-2039	3,657,337	443,066	136,174	3,404
2040-2044	2,512,410	132,150	-	-
Total	<u>\$ 18,986,164</u>	<u>\$ 3,079,426</u>	<u>\$ 1,761,542</u>	<u>\$ 257,774</u>

Note 6 - Risk Management

The County, including the Systems, 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 7 - 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 Systems' operations, in the opinion of the County, is not expected to be material. See the County's Annual Comprehensive Financial Report for further discussion of commitments and contingencies.