

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations**

*Long-term Liabilities*

Changes in long-term liabilities for the year ended September 30, 2004 are summarized in the following table. County debt is limited to 10.0 percent (or approximately \$5.7 billion) of State Equalized Value of property in the County at September 30, 2004.

	Beginning Balance	Additions	Reductions	Ending Balance	Principal Amounts Due within One Year
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation bonds:					
Wayne County Limited Tax General Obligation Fiscal Stabilization Bonds, 6.1% to 6.8%, due serially to 2010	\$ 35,324,696	-	(6,451,744)	28,872,952	6,011,151
Wayne County Building Authority, Series 1994A Refunding Bonds, 2.8% to 6.125%, due serially to 2015	75,830,000	-	(6,359,000)	69,471,000	6,698,000
Wayne County Building Authority - Limited Tax General Obligation Capital Improvement Bonds, Series 1996A, 4.00% to 6.50%, due serially to 2016	35,410,000	-	(1,895,000)	33,515,000	2,005,000
Michigan Municipal Bond Authority Local Government Loan Program General Obligation Bonds (Equipment and Real Property Financing Program), Series 2003B, 4.30%, due serially through 2024	13,740,000	-	-	13,740,000	465,000
Michigan Transportation Fund Bonds (due serially): Series 1998, 4.00% to 5.25%, due 2012	24,380,000	-	(1,950,000)	22,430,000	2,045,000
Michigan Transportation Fund Bonds (due serially): Series 1999, 4.0% to 5.3%, due 2013	23,970,000	-	(1,700,000)	22,270,000	1,775,000
Subtotal General obligation bonds	208,654,696	-	(18,355,744)	190,298,952	18,999,151
Bond discount	(3,922,611)	-	462,781	(3,459,830)	(462,781)
Total General obligation bonds	204,732,085	-	(17,892,963)	186,839,122	18,536,370
Revenue bonds:					
Michigan Municipal Bond Authority Local Government Loan Program Revenue Bonds (Equipment and Real Property Financing Program), Series 1990-F and B, 6.55%, due serially through 2005	466,000	-	(146,000)	320,000	155,000
Warren Valley Golf Course obligations under Wayne County Building Authority Revenue Bonds, 3.50% to 6.825%, due serially to 2019	3,100,000	-	(126,000)	2,974,000	132,000
Total Revenue bonds	3,566,000	-	(272,000)	3,294,000	287,000
Notes payable:					
Series 2003, due 2004, interest at a discount basis customary for 7-day commercial paper (determined weekly)	82,800,000	-	(82,800,000)	-	-
Series 2004, due 2006, interest at a discount basis customary for 7-day commercial paper (determined weekly)	-	133,500,000	-	133,500,000	41,000,000
Wayne County General Obligation Fannie Mae Notes Payable due 2005	2,000,000	-	(500,000)	1,500,000	500,000
Total Notes Payable	84,800,000	133,500,000	(83,300,000)	135,000,000	41,500,000
Total bonds, bond discounts and notes payable	293,098,085	133,500,000	(101,464,963)	325,133,122	60,323,370

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Principal Amounts Due within One Year</u>
Capital Leases:					
Wayne County Buildings	16,794,877	-	(1,413,242)	15,381,635	1,326,988
Other long-term obligations:					
Claims, litigation, and assessments	23,293,718	27,762,148	(23,293,718)	27,762,148	6,014,353
Compensated absences	<u>26,432,257</u>	<u>29,249,533</u>	<u>(26,432,257)</u>	<u>29,249,533</u>	<u>29,249,533</u>
Total other long-term obligations	<u>49,725,975</u>	<u>57,011,681</u>	<u>(49,725,975)</u>	<u>57,011,681</u>	<u>35,263,886</u>
<b>Total Governmental activities</b>	<u>\$ 359,618,937</u>	<u>190,511,681</u>	<u>(152,604,180)</u>	<u>397,526,438</u>	<u>96,914,244</u>
<b>Business-type Activities:</b>					
<b>Downriver Sewage Disposal System</b>					
General obligation bonds:					
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1994, Revolving Loan Fund, Series #1A-1F, 2%, due 2014	\$ 7,418,925	-	(603,689)	6,815,236	628,640
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bonds, Series 1999, Revolving Loan Fund #5117-01, 2.5%	89,087	3,164	(4,913)	87,338	4,946
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-03, 2%	9,220,000	-	(675,000)	8,545,000	695,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-05, 2.25%	665,000	-	(55,000)	610,000	55,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-07, 2.25%	108,174	-	(19,019)	89,155	14,264
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-15, 2.25%	39,150,000	-	(2,220,000)	36,930,000	2,270,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-18, 2.25%	10,965,000	-	(675,000)	10,290,000	690,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-19, 2.25%	7,981,813	-	(490,000)	7,491,813	500,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1999, Revolving Loan Fund #5117-20, 2.50%	10,585,000	-	(505,000)	10,080,000	520,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-21, 2.25%	2,033,714	-	(139,008)	1,894,706	143,973

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning Balance	Additions	Reductions	Ending Balance	Principal Amounts Due within One Year
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-23, 2.25%	1,555,000	-	(95,000)	1,460,000	100,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-24, 2.25%	50,905,000	-	(2,485,000)	48,420,000	2,545,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1998, Revolving Loan Fund #5117-25, 2.25%	14,795,000	-	(720,000)	14,075,000	740,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-26, 2.25%	4,460,000	-	(275,000)	4,185,000	280,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-27, 2.25%	3,811,521	-	(240,377)	3,571,144	240,376
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-28, 2.25%	1,504,220	-	(84,118)	1,420,102	89,066
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1997, Revolving Loan Fund #5117-29, 2.25%	1,985,000	-	(115,000)	1,870,000	115,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Fund #5117-30, 2.25%	4,530,000	-	(260,000)	4,270,000	265,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5117-31, 2.25%	3,035,000	-	(170,000)	2,865,000	175,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1999, Revolving Loan Fund #5117-32, 2.25%	9,893,048	-	(520,000)	9,373,048	535,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bonds, Series 2000, Revolving Loan Fund #5117-34, 2.50%	4,507,443	-	(210,000)	4,297,443	215,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, 1999 Series A Refunding Bonds 4.5% to 5.125%, due 2013	6,205,000	-	(500,000)	5,705,000	525,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, 1999 Series B Bonds 4.5% to 5.125%, due 2018	12,835,000	-	(605,000)	12,230,000	630,000
Subtotal Downriver general obligation bonds	208,237,945	3,164	(11,666,124)	196,574,985	11,976,265

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning Balance	Additions	Reductions	Ending Balance	Principal Amounts Due within One Year
Deferred gain(loss) on refunding - Downriver Sewage Disposal System	(353,546)	35,355	-	(318,191)	-
Total Downriver general obligation bonds	207,884,399	38,519	(11,666,124)	196,256,794	11,976,265

**Rouge Valley Sewage Disposal System**

General obligation bonds:

Wayne County North Huron Valley-Rouge Valley Wastewater Control System bonds, Series 1994C Refunding, Michigan Municipal Bond Authority, 3.6% to 6%, due 2009	3,815,000	-	(540,000)	3,275,000	585,000
Wayne County Rouge Valley-Huntington Falls Bonds, 1994F Series, Michigan Municipal Bond Authority, 4% to 5.55%, due 2004	195,000	-	(195,000)	-	-
Wayne County Rouge Valley- City of Livonia SRF #5140-01, Michigan Municipal Bond Authority Revolving Loan Fund, 2.25%	350,000	-	(20,000)	330,000	20,000
Total Rouge Valley general obligation bonds	4,360,000	-	(755,000)	3,605,000	605,000

**CSO Basins Sewage Disposal System**

General obligation bonds:

Wayne County Rouge Valley- Dearborn Heights CSO Basin Bonds, Series 1994D, Michigan Municipal Bond Authority 5.20% to 6.80%, due 2016	525,000	-	(525,000)	-	-
Wayne County Rouge Valley Wastewater - Dearborn Heights Michigan Municipal Bond Authority 1999 B Bonds AMBAC Insured Bonds, 3.05% to 4.85%, generally due serially through 2016	10,340,000	-	(110,000)	10,230,000	670,000
Wayne County Rouge Valley-CSO Basin Bonds, Series 1994F, Michigan Municipal Bond Authority, 4.35% to 6.45%, due 2015	150,000	-	(150,000)	-	-
Wayne County Rouge Valley Wastewater - Inkster (B) Michigan Municipal Bond Authority 1999 B Bonds AMBAC Insured Bonds, 3.05% to 4.80%, generally due serially through 2015	2,545,000	-	(25,000)	2,520,000	185,000
Wayne County Rouge Valley-Inkster CSO Basin Bonds, Series 1994G, Michigan Municipal Bond Authority, 4.45% to 6.80%, due 2015	360,000	-	(360,000)	-	-
Wayne County Rouge Valley Wastewater - Inkster (A) Michigan Municipal Bond Authority 1999 B Bonds AMBAC Insured Bonds, 3.05% to 4.80%, generally due serially through 2015	5,940,000	-	(65,000)	5,875,000	455,000
Wayne County Rouge Valley- Inkster, Michigan #5106-01, 2%	1,800,000	-	(125,000)	1,675,000	125,000

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Beginning Balance	Additions	Reductions	Ending Balance	Principal Amounts Due within One Year
Wayne County Rouge Valley- Dearborn Heights , Michigan Municipal Bond Authority Revolving Loan Fund, #5104-01, 2.25%	1,855,000	-	(125,000)	1,730,000	130,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995, Revolving Loan Fund #5123-01, 2.25%	4,581,598	-	(260,000)	4,321,598	270,000
Wayne County Downriver Sewage Disposal System Limited Tax General Obligation Bond, Series 1995B, City of River Rouge, Combined Sewer Overflow, 3.7% to 5.3%, due serially through 2011	<u>12,910,000</u>	<u>-</u>	<u>(655,000)</u>	<u>12,255,000</u>	<u>685,000</u>
Subtotal CSO Basin general obligation bonds	41,006,598	-	(2,400,000)	38,606,598	2,520,000
Deferred gain(loss) on refunding - CSO Basin Sewage disposal system	<u>(1,901,159)</u>	<u>151,511</u>	<u>-</u>	<u>(1,749,648)</u>	<u>-</u>
Total CSO Basin general obligation bonds	39,105,439	151,511	(2,400,000)	36,856,950	2,520,000
Non-Major business-type activities:					
Northeast revenue bonds:					
Wayne County Northeast Sewage Disposal System Revenue Bonds, Series 1993, Michigan Municipal Bond Authority Revolving Loan Fund, 2%, generally due serially through 2014	3,860,000	-	(315,000)	3,545,000	325,000
Wayne County Northeast Sewage Disposal System, Series 1994G, Michigan Municipal Bond Authority, 4.45% to 6.80%, due 2014	105,000	-	(105,000)	-	-
Wayne County Northeast Sewage Disposal System Michigan Municipal Bond Authority 1999 B Revenue Bonds AMBAC Insured Bonds, 3.05% to 4.75%, generally due serially through 2014	<u>1,570,000</u>	<u>-</u>	<u>(20,000)</u>	<u>1,550,000</u>	<u>130,000</u>
Subtotal non-major business-type activities	5,535,000	-	(440,000)	5,095,000	455,000
Deferred gain(loss) on refunding - Northeast Sewage Disposal System	<u>(157,179)</u>	<u>14,289</u>	<u>-</u>	<u>(142,890)</u>	<u>-</u>
Total non-major business-type activities revenue bonds	<u>5,377,821</u>	<u>14,289</u>	<u>(440,000)</u>	<u>4,952,110</u>	<u>455,000</u>
Total Business-type activities	<u>\$ 256,727,659</u>	<u>204,319</u>	<u>(15,261,124)</u>	<u>241,670,854</u>	<u>15,556,265</u>

**(11) Debt and Other Obligations, Continued**

**Governmental Activities**

Delinquent property tax receivables (and amounts collected) are pledged as collateral for the repayment of the September 30, 2004 outstanding General Obligation Limited Tax Notes of \$133.5 million (Note 9).

The County participates in the Equipment and Real Property Financing Program of Michigan Municipal Bond Authority (MMBA) to finance purchases of property and equipment on more favorable borrowing terms than might otherwise be available. The total borrowings by the County may not exceed .5 percent (or approximately \$285 million) of State Equalized Value of property in the County at September 30, 2004. The amount outstanding on these bonds was \$320,000 at September 30, 2004.

In 1988, in connection with the refinancing of certain General Fund obligations in prior years, the County issued \$103.8 million in Fiscal Stabilization Bonds to the MMBA, which concurrently issued Local Government Loan Program Revenue Bonds (Fiscal Stabilization Bonds), Series 1986A, Group 12B (Insured Wayne County Bonds).

The legislation enabling the issuance of the Fiscal Stabilization Bonds and Emergency Loan Board Notes increased the state cigarette tax to provide revenues to the County with which to fund the debt service requirements on this debt. In addition, the legislation provided for a special tax on airport parking to provide additional General Fund unrestricted revenues. The County's share of state cigarette tax collections (estimated to be \$16.0 million annually) is first applied to service the Fiscal Stabilization Bonds. The County's state revenue sharing has also been pledged as security for these bonds. The County's obligation to pay the Fiscal Stabilization Bonds is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

In January 1991, the MMBA refunded its Local Government Loan Program Revenue Bonds (Fiscal Stabilization Bonds). Concurrently, the terms of the related Wayne County Fiscal Stabilization Bonds held by the MMBA were modified, principally to revise the timing of the principal payments and the amount of interest, enabling the repayment of the County's Emergency Loan Board notes to be accelerated. These Emergency Loan Board Notes were repaid in 1997.

In March 1994, the Authority issued \$105.9 million in bonds (Wayne County Building Authority Bonds) with an average interest rate of 5.8 percent, of which \$97.6 million was used to advance-refund \$97.2 million of bonds, with the remaining \$8.3 million in bonds to be used for renovations and improvements on the Wayne County Youth Home and for the demolition of abandoned buildings on the Eloise Westland property. The County has pledged its full faith and credit for these bonds, subject to certain limitations.

In March 1994, the Authority issued \$3.3 million in bonds to finance assets of the Warren Valley Golf Course. The County has pledged its full faith and credit for these bonds, subject to certain limitations.

In November 1996, the Authority issued \$45.0 million in Series 1996A debt with an average interest rate of 5.8 percent to finance construction of the Wayne County Juvenile Detention Facility, as well as other capital projects. These bonds are payable by the Authority solely from the rental payments to be made by the County and from funds relating to this issue held by the Trustee. The County's obligation to make the rental payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

**(11) Debt and Other Obligations, Continued**

Michigan Transportation Fund Bonds, Series 1998, in aggregate amount of \$31.3 million, were issued to fund a portion of the capital improvements to the County's road system. The bonds are due serially through 2012 at interest rates ranging from 4.0% to 5.25%. Bond principal and interest payments are secured by an irrevocable pledge of distributions from the Michigan Transportation Fund pursuant to the provisions of Act 51 of the Michigan Public Acts of 1951. In the event that Act 51 distributions are insufficient to repay these bonds and notes, the County has pledged its full faith and credit for repayment. These bonds are considered as limited tax general obligations of the County.

Michigan Transportation Fund Bonds, Series 1999, in the aggregated amount of \$28.7 million, were issued to fund a portion of the capital improvements to the County's road system. The bonds are due serially through 2013 at interest rates ranging from 4.0% to 5.3%. Bond principal and interest payments are secured by an irrevocable pledge of distributions from the Michigan Transportation Fund pursuant to the provisions of Act 51 of the Michigan Public Acts of 1951. In the event that Act 51 distributions are insufficient to repay these bonds and notes, the County has pledged its full faith and credit for repayment. These bonds are considered limited tax general obligations of the County.

In September 2003, the County issued General Obligation Limited Tax Capital Improvement Bonds Series 2003 in the amount of \$13.7 million. The bonds are due serially through 2024 with an average interest rate of 4.3% and will fund structural repairs to the tower of the Wayne County Building; architectural changes and additions to the Prosecutor's offices; and the purchase of related equipment. The County has pledged its full faith and credit for repayment, subject to certain limitations.

Claims, litigation, and assessments represent actions, which have been asserted and are probable of loss and estimable. The amount of probable loss has been determined through court orders, judgments, or annual estimates by the County's Corporation Counsel. Claims and assessments that are not probable of loss or are not estimable are discussed in note 14, Commitments and Contingencies.

The claims liability is generally liquidated through the County's Long-term Disability, General Health, Worker's Compensation and General Liability internal service funds. Those funds finance the payments of those claims by charging the other funds based on budgeted fringe benefit rates. Litigation and assessments are generally liquidated through the General Fund and the Roads Fund.

Amounts accrued for unpaid vacation and sick pay represent the accumulated, vested obligation of the County at September 30, 2004, for such benefits, payable to present governmental fund employees at future dates upon employee termination, retirement, or death.

Payments on the general obligation bonds that pertain to the County's governmental activities are made by the debt service funds, except for the note payable, which is being repaid directly from the Delinquent Tax Revolving enterprise funds. The compensated absences liability attributable to the governmental activities, will be liquidated primarily by the General Fund and the Roads Fund.

Capital Leases

Effective December 29, 1984, the County, through its Economic Development Corporation, sold the County Building to the Old Wayne County Building Limited Partnership for the purpose of restoration and leased it back in 1987 under a ten-year leasing arrangement. In 1998, the County entered a third amendment to the building lease with the Old Wayne County Limited Partnership (refer to Note 7). The ten-year renewal term among other things provides for a renewal option for a second ten-year term and a purchase option at the end of the first and second renewal terms. This lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future

CHARTER COUNTY OF WAYNE, MICHIGAN  
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**(11) Debt and Other Obligations, Continued**

minimum lease payments as of the inception date. The lease requires minimum quarterly payments from the County of \$540,464. The rentals effectively provide for the debt service requirements of the Partnership.

As of September 30, 2004, the outstanding portion of the capital lease obligation associated with restoration was \$15.4 million.

The future minimum lease obligations of these minimum lease payments as of September 30, 2004, were as follows:

Wayne County Building Capital Lease Obligation		
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	1,326,988	834,866
2006	1,245,998	915,856
2007	1,169,951	991,903
2008	1,098,546	1,063,308
2009	1,031,498	1,130,356
2010-2014	4,286,576	6,522,694
2015-2018	<u>5,222,078</u>	<u>4,640,545</u>
Total	<u>15,381,635</u>	<u>16,099,528</u>

In connection with the aforementioned capital lease, the County received a \$5.3 million note from the partnership, which accrues interest at a rate of 9% (see Note 7). The value of the note (currently \$26,193,997), at maturity, is anticipated to transfer to the partnership as a condition for the County to exercise its option to purchase the building. The note is recorded as a long-term receivable and a long-term liability in the Building and Grounds Maintenance Internal Service Fund.

In May 1999, the County authorized the expenditure of up to \$50 million for land acquisition and land development costs for the Pinnacle Aeropark Project, a state of the art business and industrial park located next to the Detroit Metropolitan Wayne County Airport. The acquisition of property cost approximately \$35.2 million and is being counted for as an eighteen-year capital lease. In connection with this capital lease, the County has recorded a long-term capital lease receivable and payable in an internal service fund. The expenditure is financed through the County's Equipment Financing Fund and the property is being leased back to the County's Pinnacle Fund. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease requires minimum semi-annual payments from the County's Pinnacle Fund in the amount of \$1,285,767.

As of September 30, 2004, the outstanding portion of the capital lease obligation associated with the Pinnacle Aeropark Project was \$31.6 million.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004, were as follows:

Pinnacle Aeropark Capital Lease Obligation		
Year ended		
<u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	1,329,590	1,241,944
2006	1,383,003	1,188,531
2007	1,438,562	1,132,972
2008	1,496,353	1,075,181
2009	1,556,465	1,015,069
2010-2014	8,772,011	4,085,659
2015-2019	<u>15,575,737</u>	<u>2,176,316</u>
Total	<u>31,551,721</u>	<u>11,915,672</u>

In June 2001, the County entered into a loan agreement with Fannie Mae, a corporation organized and existing under the laws of the United States of America, to borrow \$2.75 million for the purpose of acquiring, managing, maintaining, renovating, demolishing, marketing and selling of blighted properties located primarily in Highland Park, thereby decreasing the number of homes constituting public nuisances, all in furtherance of the County's responsibilities for providing for the health, safety, and welfare of its citizens. This promissory note is backed by the full faith and credit of the County. The remaining annual installments of \$500,000 are due on June 1st of 2005 through 2007. Interest shall accrue quarterly and shall be determined by Fannie Mae based on a floating rate, obtained by adding ninety (90) basis points to the three (3) month LIBOR, adjusted quarterly, based on such rate as published in The Wall Street Journal on the last business day of the month immediately preceding each quarter. The note payable at September 30, 2004 of \$1.5 million to Fannie Mae is included in the government-wide statements.

As discussed in Note 7, the County, through the ELF Fund, acquired and leased back all Golf Course Fund capital assets. As of September 30, 2004, the outstanding portion of the capital lease associated with the Parks/Golf Course assets was \$13.5 million.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2004 were as follows:

Parks/Golf Course Capital Lease Obligation		
Year ended September 30,	<u>Principal</u>	<u>Interest</u>
2005	308,632	418,918
2006	318,230	409,320
2007	328,127	399,423
2008	338,332	389,218
2009	348,854	378,696
2010-2014	1,913,919	1,723,831
2015-2019	2,230,629	1,407,121
2020-2024	2,599,751	1,037,999
2025-2029	3,029,950	607,800
2030-2032	<u>2,053,612</u>	<u>129,040</u>
Total	<u>13,470,036</u>	<u>6,901,366</u>

Operating Leases

The County is committed under 18 leases for office and storage space. These leases are considered for accounting purposes to be non-cancelable operating leases. Lease expenditures for the year ended September 30, 2004, amounted to \$7,520,745. Future minimum lease payments for these leases are as follows:

<u>September 30,</u>	Operating Lease <u>Obligations</u>
2005	\$ 9,169,682
2006	9,598,880
2007	9,828,415
2008	10,084,399
2009	<u>10,345,423</u>
Total minimum lease payments	<u>\$ 49,026,799</u>

**(11) Debt and Other Obligations, Continued**

**Business-Type Activities**

*Sewage Disposal System Obligations* – The principal and interest payments on all the Sewage Disposal System bonds, other than the Wayne County Northeast Sewage Disposal System revenue bonds, are payable from contributions of the participating local governmental units as set forth in the related sewage disposal contracts and bond ordinances. The Northeast revenue bonds are payable from the net revenues of the sewage disposal system. The net revenues (as defined) of the sewage disposal system are pledged as collateral for the debt service requirements. In the event of default, the County has agreed to advance funds sufficient for payment of bond principal and interest. The County incurred no net bond interest costs for the year ended September 30, 2004.

In 1994, the County authorized issuance of bonds to the Michigan Municipal Bond Authority (MMBA) Revolving Loan Fund for up to \$13.0 million for the Downriver Sewage Disposal System. Through September 30, 2004 the County received \$12.6 million from the revolving loan fund for the projects supported by these bonds.

In 1995, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$21.4 million for the Downriver Sewage Disposal System and CSO basins. Through September 30, 2004 the County received \$21.3 million from the revolving loan fund.

In 1995, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.2 million for the Rouge Valley Sewage Disposal System. Through September 30, 2004 the County received \$5.2 million from the revolving loan fund.

In 1996, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$78.8 million for the Downriver Sewage Disposal System. Through September 30, 2004 the County received \$78.0 million from the revolving loan fund.

In 1997, the County authorized the issuance of bonds to the MMBA Revolving Loan Fund for up to \$84.0 million for the Downriver Sewage Disposal System. Through September 30, 2004 the County received \$82.9 million from the revolving loan fund.

In 1998, the County authorized additional issuance of bonds to the MMBA Revolving Loan Fund for up to \$31.3 million for the Downriver Sewage Disposal System. Through September 30, 2004 the County received \$31.2 million from the revolving loan fund.

In 1998, the County authorized issuance of bonds to the MMBA Revolving Loan Fund for up to \$425,000 for the Rouge Valley Sewage Disposal System. Through September 30, 2004 the County received \$425,000 from the revolving loan fund.

In 1999, the County authorized additional issuance of bonds to the MMBA Revolving Loan Fund for up to \$12.6 million for the Downriver Sewage Disposal System. An estimated \$445,000 of this amount is designated for two communities covered under the Chapter 20 Drainage District, a component unit of the County of Wayne, and is reported under the Component Unit segment of County debt. Through September 30, 2004 the County received \$12.5 million from the revolving loan fund, of which \$426,151 is directly attributable to the Chapter 20 Drainage District's bond debt.

**(11) Debt and Other Obligations, Continued**

In 2000, the County authorized additional issuance of bonds to the MMBA Revolving Loan Fund for up to \$5.1 million for the Downriver Sewage Disposal System. Through September 30, 2004, the County received \$4.9 million from the revolving loan fund.

The County has pledged its full faith and credit on \$10.1 million of water and sewage bonds issued by local communities for various water and sewer construction activities. The obligations are being paid from the revenues of the various communities' water and sewage fund operations. The assets and related obligations have not been reflected within the County's basic financial statements for these activities.

In December 1995, the County authorized the issuance of bonds in an aggregate principal amount of \$16.3 million designated Wayne County Combined Sewer Overflow (City of River Rouge) Bonds, Series B. These bonds were used to finance construction of a combined sewer overflow control facility in the City of River Rouge to comply with the requirements of a federal grant and applicable National Pollutant Discharge Elimination System (NPDES) permit. The obligations are limited tax general obligations of the County of Wayne, but are payable from contractual payments to be received from the City of River Rouge.

In April 1999, the County issued \$23.1 million, Series 1999B, Revenue Bonds, under the MMBA Local Government Loan Program to provide resources to advance refund \$20.3 million of existing Sewage Disposal System Debt, Series 1994 D, F and G, and Chapter 21 Drainage District, a component unit, Series 1993B. The proceeds of the refunding bonds were placed into an irrevocable trust to provide for all future debt service payments on the retired bonds. As a result, the retired bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding was taken solely to retire the refunded debt and reduce the total of future debt service payments. This bond issue is a limited tax general obligation of the County of Wayne, but is payable from contractual payments to be received from the communities participating in the respective sewage systems benefited. Should the assets in escrow not be sufficient to fund the debt service requirements, additional amounts would be required to be deposited from the respective Sewage Disposal System.

In August 1999, the County issued the Series 1999A Refunding Bonds in the amount of \$6.5 million and the Series 1999B bonds in the amount of \$15.0 million for the Downriver Sewage Disposal System, under the MMBA's Local Government Loan Program. Proceeds from the 1999A Series bonds were used to advance refund \$ 6.1 million of the existing Sewage Disposal System Debt, Series 1994A. Proceeds from the 1999B Series Bonds were used to finance improvements to the Downriver Sewage Disposal System.

The proceeds of the 1999A refunding bonds were placed into an irrevocable trust to provide for all future debt service payments on the retired bonds. As a result, the retired bonds are considered to be defeased. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. This refunding was taken solely to retire the refunded debt and reduce the total of future debt service payments. This bond issue is a limited tax general obligation of the County, but is payable from contractual payments to be received from the communities participating in the respective sewage disposal systems benefited. Should the assets in escrow not be sufficient to fund the debt service requirements, additional amounts would be required to be deposited from the respective Sewage Disposal System.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

**Other**

The annual requirement to pay principal and interest on the debt as reflected above (excluding claims, litigation and assessments, worker's compensation, capital lease obligations, and compensated absences) at September 30, 2004, are summarized as follows:

Year Ended	<b>Governmental Activities - Bonds</b>			
	<u>General Obligation</u>		<u>Revenue</u>	
September 30	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	60,499,151	18,921,588	287,000	189,957
2006	112,318,903	18,130,482	305,000	171,997
2007	20,147,147	17,773,616	146,000	158,656
2008	20,063,176	17,300,509	154,000	150,140
2009	20,443,234	19,337,772	163,000	140,823
2010-2014	62,151,340	19,462,949	965,000	541,393
2015-2019	25,181,000	4,304,453	1,274,000	203,656
2020-2024	4,495,000	545,175	-	-
	-	-	-	-
Total	\$ 325,298,951	115,776,544	3,294,000	1,556,622
Bonds Payable	190,298,951	115,111,316		
Notes Payable	135,000,000	665,228		
	\$ 325,298,951	115,776,544		

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

**Business-type Activities - Bonds**

**Downriver Sewage Disposal System - General Obligation**

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 11,976,265	4,908,915
2006	12,248,671	4,613,064
2007	12,573,832	4,310,426
2008	12,886,918	3,997,943
2009	13,196,348	3,675,144
2010-2014	70,423,292	13,171,595
2015-2019	57,455,938	4,483,001
2020-2021	<u>5,813,721</u>	<u>131,795</u>
Total	<u>\$ 196,574,985</u>	<u>39,291,883</u>

**Rouge Valley Sewage Disposal System - General Obligation**

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 605,000	183,358
2006	645,000	148,110
2007	685,000	109,918
2008	700,000	69,450
2009	740,000	27,000
2010-2014	105,000	20,194
2015-2019	<u>125,000</u>	<u>7,031</u>
Total	<u>\$ 3,605,000</u>	<u>565,061</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

**CSO Basin Sewage Disposal System - General Obligation**

Year Ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,520,000	1,642,391
2006	2,600,000	1,545,611
2007	2,710,000	1,443,993
2008	2,820,000	1,336,297
2009	2,940,000	1,221,806
2010-2014	16,420,000	4,140,772
2015-2018	<u>8,596,599</u>	<u>679,673</u>
Total	<u>\$ 38,606,599</u>	<u>12,010,543</u>

**Non-major Business-type Activities - Bonds**

Year Ended <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 455,000	139,205
2006	460,000	127,505
2007	475,000	115,640
2008	490,000	103,200
2009	500,000	90,210
2010-2014	<u>2,715,000</u>	<u>236,653</u>
Total	<u>\$ 5,095,000</u>	<u>812,413</u>

In prior years, the County defeased the future principal payments of the following issues by depositing U.S. Treasury obligations with escrow agents:

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	<b>Primary Government:</b>	
1994	North Huron Valley - Rouge Valley Wastewater Control System Bonds, Series 1989	3,200,000
1999	Rouge Valley - Dearborn Heights CSO Basin Bonds Series 1994D	9,705,000
1999	Rouge Valley - Inkster CSO Basin Bonds Series 1994F	2,445,000
1999	Rouge Valley - Inkster CSO Basin Bonds Series 1994G	5,595,000
1999	Northeast Sewage Disposal System Bonds Series 1994G	1,475,000
1999	Downriver Sewage Disposal System Bonds Series 1994A	<u>6,065,000</u>
	Total primary government	28,485,000
	<b>Component Units:</b>	
1994	Chapter 20 Drainage Districts- various municipal obligations	5,230,000
1999	Chapter 21 (Milk river) Drainage District bonds, 1994 Series A	<u>1,065,000</u>
	Total component units	6,295,000
	Total defeased debt	<u><u>34,780,000</u></u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

Component Units

Changes during FY2004 and details of long-term obligations related to component units are summarized as follows:

	Outstanding September 30, <u>2003</u>	<u>Additions</u>	<u>(Reductions)</u>	Outstanding September 30, <u>2004</u>	Amounts Due within <u>One Year</u>
<b>Component Units:</b>					
Airport Authority					
Detroit Metropolitan Wayne County Airport:					
Series 1993A, 3.0% to 5.4%, due 2017	11,340,000	-	(11,340,000)	-	-
Series 1993B, 2.9% to 5.50%, due 2022	63,110,000	-	(63,110,000)	-	-
Series 1993C, 2.8% to 5.25%, due 2022	54,690,000	-	(54,690,000)	-	-
Series 1994A, 3.5% to 5.875%, due 2009	18,565,000	-	(3,215,000)	15,350,000	3,165,000
Series 1994B, 4.85% to 6.125%, due 2025	11,525,000	-	(265,000)	11,260,000	280,000
Series 1996A, 3.65% to 5.72%, due 2017	54,610,000	-	(2,700,000)	51,910,000	2,800,000
Series 1996B, 3.65% to 5.72%, due 2017	54,610,000	-	(2,700,000)	51,910,000	2,800,000
Series 1998A, 4.20% to 5.50%, due 2028	839,935,000	-	(15,670,000)	824,265,000	16,415,000
Series 1998B, 4.10% to 5.25%, due 2028	159,930,000	-	(3,130,000)	156,800,000	3,265,000
Series 2001 Junior Lien, variable, 1.66% due 2009	124,680,000	-	(17,300,000)	107,380,000	100,000
Series 2002A, variable, 1.71%, due 2033	141,720,000	-	-	141,720,000	-
Series 2002C, 3.00% to 5.375%, due 2021	26,435,000	-	(100,000)	26,335,000	100,000
Series 2002D, 5.0% to 5.5%, due 2022	76,030,000	-	-	76,030,000	-
Series 2003A-1, variable, 1.45%, due 2033	-	75,000,000	-	75,000,000	-
Series 2003A-2, variable, 1.5%, due 2033	-	75,000,000	-	75,000,000	-
Series 2003A-3, variable, 1.47%, due 2033	-	64,975,000	-	64,975,000	-
Series 2003B, variable, 1.55%, due 2021	-	75,050,000	-	75,050,000	3,475,000
Series 2003C, variable, 1.32%, due 2021	-	54,300,000	-	54,300,000	3,350,000
Energy Conservation Improvement Agreement, 5.625% due 2011	12,930,000	-	(1,300,000)	11,630,000	1,395,000
Bond Discount	(14,259,218)	2,818,680	-	(11,440,538)	-
Deferred gain(loss) on refunding	(16,342,188)	7,415,247	(13,434,984)	(22,361,925)	-
Bond Premium	5,704,051	-	(426,338)	5,277,713	-
Total Detroit Metropolitan Wayne County Airport:	1,625,212,645	354,558,927	(189,381,322)	1,790,390,250	37,145,000
Airport Hotel revenue bonds:					
Series 2001A Hotel, 5.00% to 5.50%, due 2030	99,630,000	-	-	99,630,000	-
Series 2001B Hotel, 6.00% to 6.60%, due 2015	11,290,000	-	-	11,290,000	-
Capital/FF&E Reserve Loan, 8%, due 2017	5,000,000	-	-	5,000,000	549,365
Working Capital Loan 8%, due 2017	1,500,000	-	-	1,500,000	-
Bond Discount	(2,740,647)	129,525	-	(2,611,122)	-
Total Airport Hotel revenue bonds	114,679,353	129,525	-	114,808,878	549,365
Airport note Payables:					
Willow Run - Washtenaw County, 0%, due 2019	-	292,133	-	292,133	14,607
Willow Run - University of Michigan, 8%, due 2013	445,801	-	(531)	445,270	-
Total Airport note payables	445,801	292,133	(531)	737,403	14,607
Total Airport Authority	1,740,337,799	354,980,585	(189,381,853)	1,905,936,531	37,708,972

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Outstanding September 30, <u>2003</u>	<u>Additions</u>	<u>(Reductions)</u>	Outstanding September 30, <u>2004</u>	Amounts Due within <u>One Year</u>
Circuit Court:					
Capital Lease	7,242,327	-	(3,070,979)	4,171,348	3,254,500
Non-major Component Units:					
General obligation debt:					
Chapter 20 Drainage Bonds, payable from future property tax assessments, 3.15% to 10.0%, generally due serially through 2012	10,495,954	277,793	(1,381,730)	\$ 9,392,017	1,442,194
Revenue bonds:					
Chapter 21 (Milk River) Drainage District Bonds, 1991 Series A, Michigan Municipal Bond Authority Revolving Loan Fund, payable from future property tax assessments, 2%, generally due serially through 2012	10,945,000	-	(1,120,000)	9,825,000	1,145,000
Chapter 21 (Milk River) Drainage District bonds, 1992 Series A, Michigan Municipal Bond Authority Revolving Loan Fund, payable from future property tax assessments, 2%, generally due serially through 2012	1,420,095	-	(155,000)	1,265,095	155,000
Chapter 21 (Milk River) Drainage District bonds, 1993 Series A, payable from future property tax assessments, 3.50% to 8.50%, generally due serially through 2012	2,580,000	-	(220,000)	2,360,000	235,000
Chapter 21 (Milk River) Drainage District bonds, 1994 Series A, payable from future property tax assessments, 3.50% to 8.50%, generally due serially through 2012	100,000	-	(100,000)	-	
Chapter 21 (Milk River) Drainage District bonds, 1999 Series b, payable from future property tax assessments, 3.05% to 4.85%, generally due serially through 2016	1,130,000	-	(15,000)	1,115,000	120,000
Detroit-Wayne County Stadium Authority Revenue Bonds, 3.70% to 5.50%, due serially to 2027	<u>80,865,000</u>	<u>-</u>	<u>(935,000)</u>	<u>79,930,000</u>	<u>935,000</u>
Total Revenue bonds	97,040,095	-	(2,545,000)	94,495,095	2,590,000
Notes Payable:					
Desbrow Intercounty Drain Drainage District \$235,000 Note Payable at 2.34% per annum until 2006	235,000	-	(78,333)	156,667	78,333
Chapter 8 Brooks Drain Drainage District \$150,000 Note Payable at 3.43% per annum until 2009 maturity	-	150,000	-	150,000	30,000

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

	Outstanding September 30, <u>2003</u>	<u>Additions</u>	<u>(Reductions)</u>	Outstanding September 30, <u>2004</u>	Amounts Due within <u>One Year</u>
Chapter 8 Odette Drain Drainage District \$250,000 Note Payable at 3.59% per anum until 2009 maturity	-	250,000	-	250,000	50,000
Chapter 8 Shuart Drain Drainage District \$97,000 Note Payable at 3.39% per anum until 2009 maturity	-	97,000	-	97,000	20,000
Michigan Municipal Bond Authority Loan Program Revenue bonds, 3.55%, due 2008	<u>1,105,000</u>	<u>-</u>	<u>(205,722)</u>	<u>899,278</u>	<u>213,092</u>
Total Note Payable	1,340,000	497,000	(284,055)	1,552,945	391,425
Total Non-major Component Units	<u>108,876,049</u>	<u>774,793</u>	<u>(4,210,785)</u>	<u>105,440,057</u>	<u>4,423,619</u>
Total Component Units	<u>1,856,456,175</u>	<u>355,755,378</u>	<u>(196,663,617)</u>	<u>2,015,547,936</u>	<u>45,568,692</u>

*Airport Authority* - Pursuant to the Authority Act, the Authority is liable for all of the obligations with respect to the Authority, with the exception of the County's pledge of its limited tax full faith and credit, subject to constitutional, statutory, and charter tax rate limitations, associated with the \$110.9 million Airport Hotel Revenue Bonds, Series 2001A and 2001B, issued by the County. This includes all of the County's obligations on outstanding Senior Lien Bonds and Junior Lien Bonds issued by the County under the County's Amended and Restated Master Airport Revenue Bond Ordinance No. 319 and its predecessor Ordinance 319, as amended and supplemented by various amending and supplemental ordinances adopted by the County, including the Series Ordinance adopted for each outstanding series of airport revenue bonds issued thereunder by the County (collectively, Ordinance 319). Pursuant to the Authority Act, the Authority is obligated to perform all of the duties, and is bound by all of the covenants, with respect to the Authority under any ordinances (including Ordinance 319), agreements, or other instruments and under law. Under the Authority Act, all airport revenue bonds issued by the Authority may be issue on a parity basis with the outstanding Senior Lien Bonds issued by the County under Ordinance 319 and additional bonds issued by the Authority under the Master Bond Ordinance, and secured by net revenues.

Net revenues (as defined in the various bond ordinances) of Metro Airport have been pledged toward the repayment of the Airport Revenue Bonds.

The Airport Revenue Bond Ordinances require that Metro Airport restrict assets to provide for the operations, maintenance, and administrative expenses of the subsequent month, the redemption of bond principal and interest, and for other purposes as defined in those ordinances.

In August 1993, the County entered into a \$445,801 note payable agreement to purchase the Packard Hanger located at the Willow Run Airport, from the University of Michigan. The agreement calls for quarterly interest payments of \$9,511 commencing on September 1, 1993. Principal payments on the note are required if revenue in excess of \$60,000 is generated at the Packard Hanger site during any calendar year. In this situation, half of the revenue generated **would be required to be paid to the University of Michigan. On September 1, 2013, any principal and interest remaining unpaid are due.**

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

In May 1990, the County entered into agreements with MESABA Aviation to issue approximately \$3.6 million in Airport Special Facility Revenue Bonds to finance the construction of an airline maintenance facility. All debt service costs will be paid by the airline through a trustee. The County and the Authority are not obligated in any manner to provide debt service in the event of default by MESABA. The agreement also provides for the airline to construct a ramp and taxiway connection. As these bonds are payable from special facility lease rentals payable in full by the respective airlines, the related debt has not been reflected in the financial statements of the Authority or the County.

In October 1996, the County issued \$135.8 million Charter County of Wayne Airport Revenue Refunding Bonds, Series 1996A and 1996B to retire Series 1986 Bonds, at their earliest optional redemption date of December 1, 1996. The Series 1996A and 1996B Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of Metro Airport. The refunding bonds are subject to interest rate adjustments determined from time to time by a remarketing agent to reflect the prevailing market. The interest rate borne by the bonds, however, is capped at 12 percent or the maximum rate under Michigan law, so long as a letter of credit is in place. In anticipation of this refunding, in October 1993, the County entered into an interest-rate swap agreement (the swap) with a notional principal amount of \$126 million, which permitted the County to change the terms of the anticipated bond offering from a variable rate to a fixed-rate coupon of 5.72 percent. Interest payments that are made to and received from the counter party will be reflected as an adjustment of interest expense on the refunding bonds.

As of September 30, 2004 rates were as follows:

<u>Interest Rate</u>	<u>Term</u>	<u>Rate</u>
Fixed payment to counterparties	Fixed	5.1082%
Variable rate from counterparties	BMA	1.6900%
Net interest rate swap payments		3.4182%
Variable-rate bond payment	Market	1.7200%
Synthetic interest rate on bonds		5.1382%

Due to the reduction of interest rates since the execution of the Swap, the Swap had a negative fair value of \$12,113,324 as of September 30, 2004. Due to this negative fair value, the Authority was not exposed to a credit risk. However, should interest rates change and the fair value of the Swap become positive, the Authority would be exposed. The counterparties, Merrill Lynch and Goldman Sachs, both have S&P ratings of A+, Moody's ratings of AA3, and Fitch ratings of AA- mitigating this risk.

The Swap exposes the Authority to basis risk should the relationship between BMA and the variable-rate bond payments cause the expected cost savings to not be realized. This risk is mitigated by the Authority maintaining bond insurance, a liquidity facility, and an Authority debt program that limits exposure to synthetic issues to a maximum of 10% of the overall airport debt.

**(11) Debt and Other Obligations, Continued**

The Authority is also exposed to the risk of termination should either the counterparty or the Authority fail to perform under the terms of the contract. A termination during a negative value period could cause the Authority to be liable to the counterparty equal to the Swap fair value. This risk is mitigated by the Authority's maintaining bond insurance, a liquidity facility, and the overall debt program.

The Series 1996A and 199B Bonds are revenue obligations of the County and do not constitute indebtedness of the County within the meaning of any constitutional, statutory, or charter provision or limitation. Neither the credit nor the taxing power of the County is pledged for the payment of principal, premium, if any, or interest on the Series 1996A and 1996B Bonds.

In June 1999, the County entered into agreements with Northwest Airlines to issue approximately \$15.2 million in Airport Special Facility Revenue Bonds to finance the construction of an aircraft maintenance facility. All debt service costs will be paid by the airline through a trustee. The County and the Authority are not obligated in any manner to provide debt service in the event of default by Northwest Airlines. As these bonds are payable from special facility lease rentals payable in full by Northwest Airlines, the related debt has not been reflected in the financial statements of the Authority or the County.

In January 2001, the County issued \$141.9 million Charter County of Wayne Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Metro Airport. The Series 2001 Bonds are revenue obligations of the Authority payable from the net revenues derived by the Authority from the operation of Metro Airport and available after net revenues have first been set aside as required to pay the principal and interest and redemption price, if any, on Senior Lien Bonds as provided in the Ordinance. The Series 2001 Bonds are "Junior Lien Bonds" under the Ordinance, and a statutory lien subordinate to the prior lien in respect of Senior Lien Bonds have been established under the Ordinance upon and against the net revenues to secure the payment of the Series 2001 Bonds.

The Series 2001 Bonds are variable rate bonds. The remarketing agent is responsible under an agreement with the Metro Airport to establish the interest rate weekly. The interest rate is determined as the rate of interest which, in the judgment of the remarketing agent, would cause the Series 2001 Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

The Series 2001 bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2001 Bonds, and no owner of any Series 2001 Bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In March 2001, the County issued \$110.9 million Airport Hotel Revenue Bonds, Series 2001A and Series 2001B. The 2001A Bonds, \$99.6 million, were issued for the purpose of paying the cost of acquiring, construction, equipping and furnishing an airport hotel and related improvements (the "Airport Hotel") at the new McNamara Terminal of the Detroit Metropolitan Wayne County Airport to be owned by the County. In addition, these bonds will pay capitalized interest and certain costs of issuance for this series. The 2001B bonds, \$11.3 million, were issued for the purpose of paying the County Credit Enhancement Fee, funding the Operation and Maintenance Reserve Fund, paying capitalized interest and certain costs of issuance related to this series.

**(11) Debt and Other Obligations, Continued**

The County has pledged all net Airport Hotel revenues solely for the payment of the Bonds and the Parity Obligations and a statutory first lien has been granted upon all net Airport Hotel revenues for such purpose. In addition, the County has pledged its limited tax full faith and credit as additional security for payment of the principal, premium, if any, and interest on the Bonds, subject to constitutional, statutory and charter tax rate limitations.

In August 2001, the County entered into an Installment Purchase Contract for \$14.4 million to pay for energy conservation improvements at the Airport. The purchase contract is not a revenue or general obligation of the County and does not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal of, or interest or premium, if any, on these improvements.

In December 2001, the County entered into \$292,133 note payable with Washtenaw County to allow Washtenaw County to use its Michigan Community Development Block Grant to assist Willow Run Airport in renovating Hanger I. The agreement calls for the principal to be paid in quarterly installments commencing March 31, 2005.

In May 2002, the County issued \$141.7 million Charter County of Wayne Airport Revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at the Airport. The Series 2002A bonds and the interest thereon are revenue obligations of the Authority payable solely from the net revenues derived from the operation of the Detroit Metropolitan Airport.

The Series 2002A Bonds are variable rate bonds. The remarketing agent is responsible under an agreement with the Metro Airport to establish the interest rate weekly. The interest rate is determined as the rate of interest which, in the judgment of the remarketing agent, would cause the Series 2002A Bonds to have a market value as of the date of determination equal to the principal amount, taking into account prevailing market provisions.

The Series 2002A Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2002A Bonds, and no owner of any Series 2002A Bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In July 2002, the County issued \$102.5 million Charter County of Wayne Airport Revenue Refunding Bonds, Series 2002C and 2002D. The Series 2002C Refunding Bonds were issued to refund, on a current basis, at the earliest practicable date, the Series 1990B Bonds and the December 2002 principal amount due on the Series 1998B Bonds. The Series 2002D Refunding Bonds were issued to refund, on a current basis, at the earliest practicable date, the Series 1990A Bonds and the Series 1991B Bonds. The Series 2002 C&D Refunding Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of Metro Airport

The County defeased the Series 1990B, Series 1990A, Series 1991B Bonds, and the December 2002 principal amount due on the Series 1998B Bonds by placing the proceeds of the Series 2002C and 2002D Bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Series 1990B, the Series 1990A, and the Series 1991B Bonds were subsequently called and paid in full in August 2002. The portion of the Series 1998B Bonds was subsequently called and paid in December 2002. The difference between the cash flows required to service the new debt and complete the refunding

**(11) Debt and Other Obligations, Continued**

was \$15.3 million. The County estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) will approximate \$14.1 million.

The Series 2002C and 2002D Refunding Bonds are revenue obligations of the County and do not constitute an indebtedness of the County within the meaning of any constitutional, statutory or charter provision or limitation. Neither the credit nor the taxing power of the County is pledged for the payment of principal, or interest or premium, if any, on the Series 2002C and 2002D Refunding bonds, and no owner of any Series 2002C and 2002D Refunding bond has the right to compel the exercise of the taxing power of the County or the forfeiture of any of its property in connection with any default under the Ordinance.

In November 2002, the Authority entered into two debt agreements with Westin Management Company East (the Hotel Operator). Both loans were provided for in the Hotel Management and Operating agreement. The Capital/FF&E loan was for \$5 million and is to be used solely for future capital improvements to the Airport Hotel. The Working Capital loan was for \$1.5 million and was used to provide initial working capital to operate the Airport Hotel. The net Airport Hotel revenues are pledged solely for the payment of the Airport Hotel Bonds and these loans and statutory first lien has been granted upon all net Airport Hotel revenues for such purpose.

In December 2003, the Authority issued \$215 million in Wayne County Airport Authority Airport revenue Bonds to provide funds to pay a portion of the costs of certain capital improvements at Metro Airport. The Series 2003A-1, 2003A-2, and 2003A-3 Bonds are revenue obligations of the Authority payable solely from the net revenues derived by the Authority from the operation of Metro Airport

The Series 2003A-1, 2003A-2, and 2003A-3 Bonds were issued as Periodic Auction Reset Securities (PARS). The Auction Agent is responsible under an agreement with the Authority to establish the interest rate weekly. The Winning Bid Rate, as determined by the Auction Agent, becomes the weekly interest rate for the Series 2003A-1, 2003A-2, and 2003A-3 Bonds.

In December 2003, the Authority issued \$129.3 million in Wayne County Airport Authority Airport Revenue Refunding Bonds, Series 2003B and 2003C. The Series 2003B and 2003C Bonds were issued to refund certain outstanding indebtedness previously issued to finance or refinance the cost of various capital projects at Metro Airport. The 2003B Refunding Bonds were issue to refund the Series 1993C Bonds. The 2003B and 2003C Bonds are revenue obligations of the Authority payable solely form the net revenues derived by the Authority from the operation of Metro Airport.

The Authority defeased the Series1993A, the Series 1993B, and the Series 1993C Bonds. The proceeds of the Series 2003B and 2003C bonds were placed in an irrevocable trust to provide for all future debt service payments. The Series 1993A, the Series 1993B, and the Series 1993C Bonds were subsequently called and paid in full in February 2004. The difference between the cash flows required to service the new debt and complete the refunding was approximately \$13 million. The Authority estimates its minimum economic gain (difference between the present value of the debt service payments on the old and new debt) was approximately \$8.1 million.

The Series 2003B and 2003C Bonds were issued as Periodic Auction Reset Securities (PARS). The Auction Agent is responsible under an agreement with the Authority to establish the interest rate weekly for the 2003C Bonds and monthly for the 2003B Bonds. The Winning Bid Rate as determined by the Auction Agent becomes the weekly interest rate for the Series 2003B and 2003C Bonds.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(10) Debt and Other Obligations, Continued**

The Authority entered into a variable to fixed interest rate swap agreement, resulting in a fixed coupon rate of 3.4825% for the Series 2003B Bonds and a rate of 3.4265% on the Series 2003C Bonds.

As of September 30, 2004, rates were as follows:

<u>Interest Rate</u>	<u>Term</u>	<u>2003B rates</u>	<u>2003C rates</u>
Fixed payment to counterparties	Fixed	3.4852%	3.4265%
Variable rate form counterparties	BMA	1.4872%	1.4872%
Net interest rate swap payments		1.9953%	1.9393%
Variable-rate bond payment	Market	1.5500%	1.3200%
Synthetic interest rate on bonds		3.5453%	3.2593%

Due to the reduction of interest rates since the execution of the Swap, the Swap had a negative fair value of \$1,582,978 as of September 30, 2004. Due to this negative fair value, the Authority was not exposed to credit risk. However, should interest rates change and the fair value of the Swap become positive, the Authority would be exposed. The counterparty, Goldman Sachs, has S&P ratings of A+, Mood's ratings of AA3, and Fitch ratings of AA- mitigating this risk.

The Series 2003B and 2003C Swap exposes the Authority to risk, which is addressed by the Authority Swap management Plan. Swap (synthetic variable to fixed) Borrowing is limited to 10% of the overall bond program. The following table identifies the Authority's plan for mitigating swap risk.

<u>Type of risk</u>	<u>Concern</u>	<u>Resolution</u>
Counterparty risk	Default of counterparty	Counterparty is rated AA by two rating agencies
Tax risk	Federal marginal rates could decline, reducing tax-exempt advantage of underlying auction rate securities	Can terminate after 7 years (Early Call provision)
Basis risk	Spread could widen, making Swap more expensive	(1) Enhanced LIBOR Index was chosen, protecting the Airport in both low- and high-interest environments (2) Can terminate after 7 days
Termination risk	Authority credit quality could deteriorate during a time when it would be very expensive for the Authority to get out of the Swap	(1) Maintain bond insurance (2) Solid financial performance of the Authority

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

The Authority capitalizes net financing costs during construction for debt issues specifically related to construction projects. During the year ended September 30, 2004, interest expense incurred on these debt issues totaled \$79,346,519. For 2004, net financing costs capitalized were \$123,508.

In June 2004, the Authority entered into a line-of-credit agreement with a maximum borrowing amount \$15 million. The borrowings charge interest at a rate equal to 35 basis points over the LIBOR rate. The line-of-credit agreement expires June 2005. There were no borrowings on this line during the year ended September 30, 2004.

Circuit Court - The Circuit Court entered into two five-year capital lease obligations with Banc One leasing Corporation to finance a portion of the cost of developing a new Case Management Tracking System. These obligations qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments as of the inception date, August 2000 and September 2000, respectively. The required minimum semi-annual lease payments amount to \$403,230 and \$574,098 respectively. As of September 30, 2004, the outstanding portion of these lease obligations amounted to \$768,612 and \$1,111,725, respectively. The Circuit Court has recorded a long-term capital lease payable in the government-wide statements and has recorded the developmental costs in its Capital Projects Fund.

In September 2000, the Circuit Court entered into a five-year capital lease obligation through the County's Equipment Leasing Fund to finance various items of equipment with a total cost of \$4.6 million. This obligation qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The required minimum monthly lease payments amount to \$89,213. As of September 30, 2004, the outstanding portion of this lease obligation amounted to \$1,531,987. The County has recorded a long-term capital lease payable in the government-wide statements.

In September 2001, the Circuit Court entered into a five-year capital lease obligation through the County's Equipment Leasing Fund to finance various items of equipment with a total cost of \$1.7 million. This obligation qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments as of the inception date. The required minimum monthly lease payments amount to \$33,641. As of September 30, 2004, the outstanding portion of this lease obligation amounted to \$759,024. The county has recorded a long-term capital lease payable in the government-wide statements.

The outstanding portion of the obligations under capital leasing transactions associated with the Circuit Court at September 30, 2004, was \$4.2 million.

The future minimum lease obligations of these minimum lease payments as of September 30, 2004, were as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	3,254,500	162,754
2006	916,848	22,063
Total	<u>4,171,348</u>	<u>184,817</u>

**(11) Debt and Other Obligations, Continued**

In April 2003, the County entered into a five year Installment Purchase Agreement (IPA) for \$1.1 million with an interest rate of 3.55% with the MMBA for the purpose of financing a portion of the Wayne County Probate Court Imaging Project/Case Management System. The new system will provide case management, imaging, electronic filing, and internet access. The County's obligation to make the payments is a limited tax general obligation supported by the full faith and credit of the County, subject to certain limitations.

Drainage Districts - Special assessments receivable on properties benefited by the various Chapter 20 drainage district obligations have been irrevocably pledged for repayment of the related principal and interest. In addition, the County has pledged its full faith and credit for all outstanding obligations of the various drainage districts, with the exception of \$5.15 million of debt relating to the Ecorse Creek Pollution Abatement Drain No. 1 Phase III Drainage District, which is considered defeased.

In September 1991, the Chapter 21 Drainage District authorized the issuance of bonds to the Michigan Municipal Bond Authority Revolving Loan Fund for up to \$25.7 million for the Milk River Drainage District Water Pollution Control. Through September 30, 2004, the district has received \$25.0 million from the revolving fund.

As discussed above, the Chapter 21 Drainage District issued \$1.2 million Series 1999B Revenue Bonds, under the MMBA's Local Government Loan Program. The bond proceeds were used to refund and effectively defease \$1.1 million of the existing Chapter 21 Drainage District Bonds, Series 1994A.

In July 2003, the Desbrow Intercounty Drain Drainage District borrowed \$235,000 from the Hastings City Bank, promising to repay the Note Payable by July 2006. Proceeds of the Note payable are being used to construct major improvements to the Desbrow Intercounty Drain. Repayment of this debt will be made from special assessments against the properties benefiting from these improvements, and are guaranteed by the full faith and credit of the Drainage District.

In August 2004, three Chapter 8 Drainage Districts issued notes to borrow funds to construct major improvements to the specified Drains. The Brooks Drain borrowed \$150,000, the Shuart Drain \$97,000 and the Odette Drain \$250,000 with annual payments scheduled through 2009. Repayment of this debt will be made from special assessments against the properties benefiting from these improvements, and are guaranteed by the full faith and credit of the individual Drainage Districts.

Detroit-Wayne County Stadium Authority - In April 1997, the Detroit-Wayne County Stadium Authority ("Authority") issued bonds totaling \$85.8 million financing a portion of the cost of acquiring and constructing a baseball stadium for use by the Detroit Tigers major league baseball team; and for paying costs of issuance in connection with those bonds. The County has pledged its limited tax full faith and credit for payment of the cash rentals to the Authority under a contract dated March 1, 1997. In addition, the County is required to provide sufficient monies in its annual budget for payment of the cash rentals and, if necessary, to levy ad valorem taxes on all taxable property within its boundaries, subject to constitutional, statutory, and charter tax rate limitations. The County has also pledged certain motor vehicle rental and hotel tax revenues (the "Tourist Taxes") levied by the County pursuant to Act No. 180, Public Acts of Michigan 1991.

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

Operating Leases

The County is committed under two leases for office space and court activities. These leases are considered for accounting purposes to be non-cancelable operating leases. Lease expenditures for the year ended September 30, 2004 amounted to \$5,388,141. Future minimum lease payments for these leases are as follows:

<u>September 30,</u>	<u>Operating Lease</u> <u>Obligations</u>
2005	4,393,552
2006	4,819,974
2007	4,963,196
2008	5,070,451
2009	5,229,388
Total minimum lease payments	<u><u>24,476,561</u></u>

**Other**

The annual requirement to pay principal and interest on the debt outstanding as reflected above, excluding capital leases, at September 30, 2004 is summarized as follows:

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

Airport Authority - Loans, Notes Payable  
and Revenue Bonds

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	37,708,972	85,213,278
2006	39,454,965	83,665,499
2007	43,633,681	81,442,870
2008	45,743,950	79,205,200
2009	159,775,901	76,085,468
2010-2014	316,328,371	334,915,384
2015-2019	374,711,695	250,089,718
2020-2024	374,519,868	162,540,245
2025-2029	432,300,000	72,130,414
2030-2034	112,895,000	8,451,624
Totals	<u>1,937,072,403</u>	<u>1,233,739,700</u>
 Bond payable	 1,924,705,000	 1,230,639,365
Loans & Notes payable	<u>12,367,403</u>	<u>3,100,335</u>
Totals	<u>1,937,072,403</u>	<u>1,233,739,700</u>

CHARTER COUNTY OF WAYNE, MICHIGAN  
Notes to Financial Statements, Continued  
For the year ended September 30, 2004

**(11) Debt and Other Obligations, Continued**

<b>Non-major Component Units - Bonds and Notes Payable</b>				
Year Ended September 30,	General Obligation		Revenue	
	Principal	Interest	Principal	Interest
2005	\$ 1,833,619	541,086	\$ 2,590,000	4,592,156
2006	1,822,520	451,083	2,635,000	4,501,914
2007	1,780,245	359,485	3,390,000	4,391,157
2008	2,120,879	266,877	3,645,000	4,253,962
2009	909,054	174,759	3,900,000	4,102,442
2010-2014	2,341,313	255,637	19,795,095	17,846,539
2015-2019	132,356	9,195	21,340,000	12,749,525
2020-2023	4,976	62	23,250,000	6,713,438
2024-2027	-	-	13,950,000	1,098,563
Totals	\$ 10,944,962	2,058,184	\$ 94,495,095	60,249,696
Bond Payable	\$ 9,392,017	1,929,477		
Notes Payable	1,552,945	128,707		
	\$ 10,944,962	2,058,184		