

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

**Financial Report
with Supplemental Information
June 30, 2015**

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

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Independent Auditor's Report

To the Joint Board of Commissioners
Benton Harbor - St. Joseph
Joint Wastewater Treatment Plant

Report on the Financial Statements

We have audited the accompanying financial statements of Benton Harbor - St. Joseph Joint Wastewater Treatment Plant (the "Joint Plant") as of and for the years ended June 30, 2015 and 2014 and the related notes to the financial statements, which collectively comprise Benton Harbor - St. Joseph Joint Wastewater Treatment Plant's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Benton Harbor - St. Joseph Joint Wastewater Treatment Plant as of June 30, 2015 and 2014 and the respective changes in its financial position, including cash flows, for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

To the Joint Board of Commissioners
Benton Harbor - St. Joseph
Joint Wastewater Treatment Plant

Emphasis of Matter

As discussed in Note 7 to the basic financial statements, in fiscal year ended June 30, 2015, the Joint Plant adopted the new accounting guidance of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the OPEB system schedule, and the pension system schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton Harbor - St. Joseph Joint Wastewater Treatment Plant's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

St. Joseph, Michigan
November 9, 2015

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Management's Discussion and Analysis

About the Facility

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant (the "Joint Plant") serves the Benton Harbor - St. Joseph regional area with wastewater treatment services. The facility is owned by the cities of Benton Harbor and St. Joseph, Michigan, as tenants in common. Control, management, and operation of the Joint Plant are vested in the joint board of commissioners (the "Joint Board"). The Joint Board consists of eight members, with three representatives each from the cities of Benton Harbor and St. Joseph and one member each from Benton Charter Township and the Lake Michigan Shoreline Water and Sewage Treatment Authority. Act 129 of Michigan Public Acts of 1943 is the enabling state legislation authorizing the cities of Benton Harbor and St. Joseph to establish the Joint Board. The Joint Plant is a corporate body under Act 129. Act 129 charges the Joint Board with establishing treatment service rates adequate to pay bonded indebtedness and operating costs.

The Joint Plant provides wastewater treatment services to the owner cities of Benton Harbor and St. Joseph, the townships of Benton, St. Joseph, Lincoln, and Royalton, and the villages of Shoreham and Stevensville. The connected service population is approximately 57,000. Treatment capacity of the facility is 15.3 million gallons per day. For the fiscal year ended June 30, 2015, the Joint Plant treated an average flow of 7.56 million gallons per day.

Mission Statement and Sources of Revenue

The Joint Plant's mission is to protect the local water resources through the development and use of sound operating and fiscal practices in the treatment of municipal wastewater. To meet its mission, the Joint Plant must generate sufficient funds through its bulk (wholesale) treatment rate to meet current operating and maintenance costs and long-term capital requirements. The bulk rate charged tributary governmental units for wastewater treatment service is reviewed annually and adjusted periodically by the Joint Board to meet projected needs. For the fiscal year ended June 30, 2015, the bulk treatment rate was \$1,306 per million gallons. The bulk treatment rate provides approximately 92 percent of the Joint Plant's total operating revenue. Revenue contributed by the tributary governmental units is a factor of discharged flow and the bulk treatment rate. Other sources of revenue, in order of magnitude, include septic tank waste treatment, industrial surcharges (high-strength wastewaters), and laboratory fees. Revenue from bulk treatment decreased during this fiscal year due to an approximate 6.3 percent decrease in tributary governmental flows when compared to fiscal year 2013-2014. Revenue from septic tank dischargers increased 28 percent compared to fiscal year 2013-2014 due, in part, to an increase in the septage treatment from 5 cents to 6 cents per gallon effective April 1, 2015. Revenue from industrial surcharges was down slightly when compared to last year.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table represents condensed information about the Joint Plant's financial position for the past three fiscal years. Total net position increased by approximately \$998,000 between fiscal years 2013-2015. Unrestricted net position includes an amount designated by the Joint Board for future construction projects. Investment maturities have been structured to meet these future needs.

	June 30		
	2015	2014	2013
Assets			
Current assets	\$ 13,446,349	\$ 12,370,971	\$ 11,544,994
Noncurrent assets	41,625	-	-
Capital assets	<u>13,209,623</u>	<u>13,730,345</u>	<u>14,475,767</u>
Total assets	26,697,597	26,101,316	26,020,761
Deferred Outflows of Resources	560,786	-	-
Liabilities			
Current liabilities	555,416	265,485	524,654
Net OPEB obligation	<u>181,148</u>	<u>143,417</u>	<u>110,187</u>
Total liabilities	736,564	408,902	634,841
Deferred Inflows of Resources	<u>137,856</u>	-	-
Net Position			
Net investment in capital assets	13,209,623	13,730,345	14,475,767
Unrestricted	<u>13,174,340</u>	<u>11,962,069</u>	<u>10,910,153</u>
Total net position	<u>\$ 26,383,963</u>	<u>\$ 25,692,414</u>	<u>\$ 25,385,920</u>

NOTE: Fiscal years 2014 and 2013 in the table above do not include the effects of GASB Statement No. 68 implementation.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Management's Discussion and Analysis (Continued)

The Joint Plant's financial position at June 30, 2015 is sound. Noncurrent assets increased this year due to the recording of a pension asset related to the adoption of the accounting change related to our pension plan. Current liabilities increased this year due to outstanding amounts due related to various capital projects. The Aeration Tunnel Top Slab Concrete Repairs Project was awarded \$140,648 and was nearly complete at June 30, 2015. The design engineering phase of the Headworks Improvement Project was completed and the construction contract for that project was awarded in the amount of \$5,967,205. That project has begun and is expected to be completed in approximately two years. This is a significant project that will include new technology in the grit collection process. Other elements of the project include screening, metering, and primary settling tank improvements along with miscellaneous renovations. Design engineering for the Aeration System and Blower Improvements is nearly complete with contract award scheduled for August 2015. The estimated cost of this project is approximately \$850,000 and is expected to be completed in the summer of 2016. An engineering firm has been retained to assist Joint Plant staff in updating the Strategic Capital Improvement Plan (SCIP), originally developed in 2004. The updated SCIP will identify, prioritize, and provide cost estimates for capital improvement needs for the 12-year planning period from today through 2027. The updated SCIP is expected to be completed in the fall of 2015 at an estimated cost of \$50,000. It is expected that the majority of the identified projects will be funded from capital improvement fund reserves. Operating income and expense, nonoperating income, and capital improvement expenditures for the past three fiscal years are presented below.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Management's Discussion and Analysis (Continued)

Operating Income and Expenses

	Fiscal Year Ended June 30		
	2015	2014	2013
Operating Revenue			
Sewage treatment charges	\$ 3,605,852	\$ 3,849,357	\$ 3,890,614
Laboratory fees and miscellaneous	311,090	257,470	251,840
Total operating revenue	3,916,942	4,106,827	4,142,454
Operating Expenses			
Cost of sewage treatment	2,417,607	2,299,802	2,365,304
Depreciation	1,070,452	1,051,816	1,016,538
Administrative and other	290,660	301,803	297,698
Total operating expenses	3,778,719	3,653,421	3,679,540
Nonoperating Revenue (Expenses)			
Interest income	45,671	45,508	50,371
Loss on disposal of assets	(3,822)	(192,420)	(66)
Total nonoperating revenue (expenses)	41,849	(146,912)	50,305
Net Income	<u>\$ 180,072</u>	<u>\$ 306,494</u>	<u>\$ 513,219</u>
Expenditures for capital improvements	<u>\$ 553,552</u>	<u>\$ 651,232</u>	<u>\$ 984,986</u>

NOTE: Fiscal years 2014 and 2013 in the table above do not include the effects of GASB Statement No. 68 implementation.

Operating income from the bulk treatment charges combined with nonoperating interest income and revenue from septage treatment charges, industrial "high-strength" surcharges, laboratory fees, and other miscellaneous income was adequate to meet operating expenses. As the data indicates, net income for fiscal year 2015 decreased by approximately \$126,000 over the previous fiscal year as a result of an approximate 5 percent decrease in revenue, while the cost of sewage treatment expenses increased by approximately 5 percent. Looking forward, operating income is anticipated to remain flat over the next five years. Lower interest rates and decreased reserves are forecasted as the Joint Plant pursues its capital improvement plan. Operating expenses increased slightly from the previous fiscal year, mainly due to additional land application of bio-solids costs. Lower wage expenses for the fiscal year were experienced due to attrition and delays in filling those open positions. Operating expenses are expected to trend upward as labor costs, healthcare, and pension funding costs are expected to increase. The labor agreement ratified in 2013 between management and Teamsters Local 214, along with increased employee cost sharing, has resulted in stable healthcare costs with manageable increases identified at ratification of the labor agreement. Management recognizes that control over year-to-year operating costs is essential to the long-term financial health of the Joint Plant.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Management's Discussion and Analysis (Continued)

Nonoperating Interest Income

In years past, as well as in fiscal year 2015, nonoperating income has contributed to the Joint Plant's overall revenue base. The slight increase in interest income this past year is a reflection of a larger fund balance in the Joint Plant's investments reserved for capital improvements. With the funding requirements for completion of the future planned projects in the strategic capital plan, the Joint Plant's investment portfolio is expected to decrease along with interest income over the next few fiscal years.

Capital Improvements and Funding Requirements

Funding needs for capital improvements are a significant element in the Joint Plant's financial plan. The facility's five-year capital plan calls for an expenditure of \$13,433,000 in facility improvements. Of this amount, approximately \$12,040,000 is currently available to meet capital requirements. The balance of the required funds will be generated through operating revenue and, possibly, short-term capital equipment leases. For fiscal year 2014-2015, capital expenditures were primarily related to design engineering and associated costs relating to the Headworks Improvement Project and construction costs relating to the Aeration Tunnel Top Slab Concrete Repairs Project. In addition, approximately \$66,000 was expended in smaller capital equipment replacements and improvements.

Looking beyond the next five years, capital improvements totaling an additional \$10,925,000 have been identified. These proposed projects are listed in the Joint Plant's 10-year Capital Improvement Plan as found in the fiscal year 2015-2016 budget. These projected capital needs are a result of the existing and soon to be updated Strategic Capital Improvement Plan (SCIP). Elements of the SCIP include assessment of the physical condition of the existing plant, a review of projected future service requirements (population, business, and residential growth within the Joint Plant's service area), existing treatment process and hydraulic capacity limitations in the facility, and identification of capital needs over the next 12 years. The updated SCIP will provide a roadmap of future capital needs through 2027.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Management's Discussion and Analysis (Continued)

Fiscal Year 2015 Budget Variances

The 2015 fiscal year ended with actual operating income lower than budgeted income by approximately \$22,000. Operating expenses before depreciation closed the year under budget by approximately \$243,000. Savings in budgeted labor expense (\$88,000), operating supplies (\$36,200), and public utilities (\$57,000) accounted for a majority of this amount. Savings of this magnitude are not anticipated for future budget years. The contract with the Joint Plant's land application contractor will expire in December 2015. Disinfection costs are expected to remain stable and include the purchasing of sodium hypochlorite and sodium bisulfite. The supply contracts for these disinfection agents expire in December 2015. Natural gas costs came in below budget as gas costs remained stable and the new dual fuel boilers were operated for the entire fiscal year. The boilers are fueled by methane gas produced in the Joint Plant's anaerobic digestion process and will lessen the Joint Plant's demand for natural gas in the future. Electric costs also were under budget by approximately \$16,200. Electric rates have risen significantly over the past few years and are expected to continue to rise. Joint Plant management intends to address this issue by planning for and installing more efficient aeration equipment and controls in the secondary treatment process. The first phase of this objective will be addressed in the coming year by installing a more efficient turbo-blower along with a state of the art control system.

Capital Assets

An appraisal of the Joint Plant's buildings and equipment is conducted on a regular basis for property insurance purposes. The appraisal conducted on March 10, 2015 established the replacement insurable value of the plant at \$53,721,071. To protect this investment in physical assets, the Joint Plant has developed and maintains a 10-year capital improvement plan. The capital plan, which is updated annually, is directed toward maintaining, improving, and expanding the facility. Identified capital improvements total \$13,433,000 over the next five years and \$24,358,000 over 10 years. Funding for the proposed improvements is anticipated to come from operating revenue. Long-term bonding is not expected to be employed to fund these improvements. Lease purchase agreements may be utilized to meet short-term, three- to six-year cash flow requirements for these projects. The general condition of the physical assets (buildings and equipment) is considered good, but maintaining the capital improvement schedule as proposed will be critical in protecting the long-term value and reliability of these assets. Joint Plant management will update the current strategic capital improvement plan in the coming year to identify and prioritize improvements for the facility. It is anticipated the updated plan will identify and prioritize capital needs and their associated costs through fiscal year 2027.

Contacting the Joint Plant's Management

The purpose of this management's discussion and analysis is to provide an overview of the current and prospective financial condition of the Joint Plant's operations and physical assets. Questions concerning this report may be directed to Timothy J. Lynch, plant manager.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Statement of Net Position

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 3,857,537	\$ 4,013,519
Investments (Note 2)	9,077,970	7,624,059
Receivables:		
Receivables from sales to customers on account	451,773	581,354
Accrued interest receivable	22,986	32,173
Other receivables	-	13,524
Prepaid expenses	<u>36,083</u>	<u>106,342</u>
Total current assets	13,446,349	12,370,971
Noncurrent assets:		
Net pension asset (Note 4)	41,625	-
Capital assets - Net (Note 3):		
Assets not subject to depreciation	1,122,760	649,492
Assets subject to depreciation	<u>12,086,863</u>	<u>13,080,853</u>
Total noncurrent assets	<u>13,251,248</u>	<u>13,730,345</u>
Total assets	26,697,597	26,101,316
Deferred Outflows of Resources - Pensions (Note 4)	560,786	-
Liabilities		
Current liabilities:		
Accounts payable	418,553	131,104
Accrued wages payable and other liabilities	<u>136,863</u>	<u>134,381</u>
Total current liabilities	555,416	265,485
Noncurrent liabilities - Net OPEB obligation (Note 5)	<u>181,148</u>	<u>143,417</u>
Total liabilities	<u>736,564</u>	<u>408,902</u>
Deferred Inflows of Resources - Pensions (Note 4)	137,856	-
Equity - Net position		
Net investment in capital assets	13,209,623	13,730,345
Unrestricted (Note 1)	<u>13,174,340</u>	<u>11,962,069</u>
Total net position	<u>\$ 26,383,963</u>	<u>\$ 25,692,414</u>

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended	
	June 30, 2015	June 30, 2014
Operating Revenue		
Sewage treatment charges	\$ 3,605,852	\$ 3,849,357
Laboratory Fees	16,024	15,102
Miscellaneous	295,066	242,368
Total operating revenue	3,916,942	4,106,827
Operating Expenses		
Cost of sewage treatment	2,417,607	2,299,802
Administrative and other	290,660	301,803
Depreciation	1,070,452	1,051,816
Total operating expenses	3,778,719	3,653,421
Operating Income	138,223	453,406
Nonoperating Revenue (Expenses)		
Interest income	45,671	45,508
Loss on disposal of assets	(3,822)	(192,420)
Total nonoperating revenue (expense)	41,849	(146,912)
Change in Net Position	180,072	306,494
Net Position - Beginning of year - As restated (Note 7)	26,203,891	25,385,920
Net Position - End of year	\$ 26,383,963	\$ 25,692,414

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Statement of Cash Flows

	Year Ended	
	June 30, 2015	June 30, 2014
Cash Flows from Operating Activities		
Receipts from customers	\$ 4,046,523	\$ 4,145,665
Payments to suppliers for goods and services	(1,021,462)	(1,495,053)
Payments to employees for services	(1,228,438)	(1,297,782)
Net cash provided by operating activities	1,796,623	1,352,830
Cash Flows from Capital and Related Financing Activities		
Proceeds from disposal of capital assets	-	138,894
Purchase of capital assets	(553,552)	(690,531)
Net cash used in capital and related financing activities	(553,552)	(551,637)
Cash Flows from Investing Activities		
Interest received on investments	54,858	34,034
Purchase of investments	(8,150,813)	(4,087,219)
Proceeds from sale and maturities of investments	6,696,902	3,626,763
Net cash used in investing activities	(1,399,053)	(426,422)
Net (Decrease) Increase in Cash and Cash Equivalents	(155,982)	374,771
Cash and Cash Equivalents - Beginning of year	4,013,519	3,638,748
Cash and Cash Equivalents - End of year	\$ 3,857,537	\$ 4,013,519
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 138,223	\$ 453,406
Depreciation	1,070,452	1,051,816
Changes in assets and liabilities:		
Accounts receivable	143,105	38,838
Prepaid expenses	70,259	(4,590)
Accounts payable	287,449	(214,619)
Accrued wages and other liabilities	87,135	27,979
Net cash provided by operating activities	\$ 1,796,623	\$ 1,352,830

Noncash Operating, Capital, and Investing Activities - During the year, there were no noncash activities.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

**Notes to Financial Statements
June 30, 2015 and 2014**

Note I - Summary of Significant Accounting Policies

The accounting policies of Benton Harbor - St. Joseph Joint Wastewater Treatment Plant (the "Joint Plant") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Benton Harbor - St. Joseph Joint Wastewater Treatment Plant:

Reporting Entity

The Benton Harbor - St. Joseph Joint Wastewater Treatment Plant (the "Joint Plant") is a joint venture of the cities of Benton Harbor and St. Joseph, Michigan, and was created pursuant to Public Act 129, Michigan Public Acts of 1943. The Joint Plant's allowed purpose is to acquire and operate a sewage disposal system. The Joint Plant currently operates sewage transportation and processing systems to these communities as well as for surrounding municipalities.

The Internal Revenue Service has ruled that the Joint Plant is a political subdivision of the State of Michigan and, as a result, is exempt from federal income tax.

Accounting and Reporting Principles

The Joint Plant follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation

This report includes the fund based statements of the Joint Plant. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business type activities.

The accounts of the Joint Plant are organized as an enterprise fund, which is used to account for its operations as a sewage disposal system. These services are financed primarily through charges to surrounding municipalities for the sewage transportation and processing.

Fund Accounting

The Joint Plant accounts for its activities in one fund in order to demonstrate accountability for how we have spent certain resources.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds include enterprise funds which provide goods or services to users in exchange for charges or fees. The Joint Plant reports the following fund as a “major” enterprise fund:

- The Sewage Fund provides sewage transportation and processing for surrounding municipalities.

Basis of Accounting

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

Capital Assets - Capital assets include property, plant, and equipment and are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets is included as part of the capitalized value of the assets constructed. There was no interest incurred during the construction of capital assets in fiscal year ending June 30, 2014 or 2015.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Capital Asset Class</u>	<u>Lives (Years)</u>
Buildings	25-50
Equipment	3-25
Land improvements	10-25

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note I - Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Joint Plant's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

The Joint Plant, through board action, has designated \$4 million of unrestricted net position for future repairs and replacements for fiscal years ended June 30, 2015 and 2014. The undesignated portion of unrestricted net position is \$8,709,785 and \$7,962,069 for fiscal years ended June 30, 2015 and 2014, respectively.

Pension - The Joint Plant contributes to the City of St. Joseph Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan that is administered by the City of St. Joseph. The Joint Plant records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The Joint Plant offers retiree healthcare benefits to retirees. The Joint Plant uses the alternative measure method permitted by GASB Statement No. 45, for employers in plans with fewer than 100 total plan members, to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. The Joint Plant reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the Joint Plant's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred. Related amounts are reported in the accrued wages payable and other liabilities line item in the financial statements.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

**Notes to Financial Statements
June 30, 2015 and 2014**

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary 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 a proprietary fund's principal ongoing operations. The principal operating revenue is billings to area municipalities based on flow rates metered by the Joint Plant, as well as charges to local businesses for extra strength industrial processing. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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 reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

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

The Joint Plant has designated four banks and two credit unions for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all of the above except repurchase agreements. The Joint Plant's deposits and investment policies are in accordance with statutory authority.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 2 - Deposits and Investments (Continued)

The Joint Plant's cash and investments are subject to custodial credit risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Joint Plant's deposits may not be returned to it. The Joint Plant does not have a deposit policy for custodial credit risk. At year end, the Joint Plant had approximately \$11,200,000 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Joint Plant believes that due to the dollar amounts of cash deposits and the limits of FDIC/NCUA insurance, it is impractical to insure all deposits. As a result, the Joint Plant evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Capital Assets

Capital asset activity for the years ended June 30, 2015 and 2014 was as follows:

	Balance July 1, 2014	Transfers	Additions	Disposals	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 24,161	\$ -	\$ -	\$ -	\$ 24,161
Construction in progress	625,331	(14,525)	487,793	-	1,098,599
Subtotal	649,492	(14,525)	487,793	-	1,122,760
Capital assets being depreciated:					
Buildings	12,884,554	-	-	-	12,884,554
Equipment	18,545,261	14,525	65,759	(44,643)	18,580,902
Land improvements	104,032	-	-	-	104,032
Subtotal	31,533,847	14,525	65,759	(44,643)	31,569,488
Less accumulated depreciation	18,452,994	-	1,070,452	(40,821)	19,482,625
Net capital assets being depreciated	13,080,853	14,525	(1,004,693)	(3,822)	12,086,863
Net capital assets	<u>\$ 13,730,345</u>	<u>\$ -</u>	<u>\$ (516,900)</u>	<u>\$ (3,822)</u>	<u>\$ 13,209,623</u>

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 3 - Capital Assets (Continued)

	Balance July 1, 2013	Transfers	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated:					
Land	\$ 24,161	\$ -	\$ -	\$ -	\$ 24,161
Construction in progress	1,308,124	(1,196,683)	513,890	-	625,331
Subtotal	1,332,285	(1,196,683)	513,890	-	649,492
Capital assets being depreciated:					
Buildings	12,884,554	-	-	-	12,884,554
Equipment	17,767,087	1,196,683	137,342	(555,851)	18,545,261
Land improvements	104,032	-	-	-	104,032
Subtotal	30,755,673	1,196,683	137,342	(555,851)	31,533,847
Less accumulated depreciation	17,612,191	-	1,051,816	(211,013)	18,452,994
Net capital assets being depreciated	13,143,482	1,196,683	(914,474)	(344,838)	13,080,853
Net capital assets	<u>\$ 14,475,767</u>	<u>\$ -</u>	<u>\$ (400,584)</u>	<u>\$ (344,838)</u>	<u>\$ 13,730,345</u>

Construction Commitments - The Joint Plant had commitments as of June 30, 2015 as follows:

	Spent to Date	Remaining Commitment
Engineering services - Headworks project	\$ 10,095	\$ 351,905
Engineering services - Blower replacement	47,723	25,165
Engineering services - Concrete deck	2,141	7,039
Engineering services - SCIP update	34,852	11,709
Construction services - Headworks project	85,000	5,882,250
Construction services - Concrete deck	102,512	38,136
Total	<u>\$ 282,323</u>	<u>\$ 6,316,204</u>

Note 4 - Cost-sharing Defined Benefit Pension Plan

Plan Description - The City of St. Joseph Employees' Retirement System (the "Plan") provides pensions for all full-time employees of the Joint Plant. The Plan is a cost-sharing multiple-employer defined benefit pension plan administered by the City of St. Joseph. The pension system issues a publicly available financial report that can be obtained by writing to the City of St. Joseph at 700 Broad Street, St. Joseph, Michigan.

Benefits Provided - The Plan provides retirement, disability, and death benefits to covered and noncovered plan members and their beneficiaries. Benefit terms are established and may be amended under the authority of Pension Ordinances.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Cost-sharing Defined Benefit Pension Plan (Continued)

Retirement benefits for employees are calculated as 2.25 percent of the employee's final three-year average salary times the employee's years of service. Normal retirement age is 60 with 10 years of service or 30 years of service. Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits, but are payable immediately without an actuarial reduction. Death benefits equal the worker's compensation. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent.

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Employees are required to contribute 4 percent of their annual pay. The Joint Plant's contractually required contribution rate for the year ended June 30, 2015 was 17.45 percent of annual payroll. Contributions to the Plan from the Joint Plant were \$151,202 for the year ended June 30, 2015.

Payable to the Pension Plan

At June 30, 2015, the Joint Plant reported a payable of \$151,202 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2015.

Net Pension Asset, Deferrals, and Pension Expense

At June 30, 2015, the Joint Plant reported an asset of \$41,625 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Joint Plant's proportion of the net pension asset was based on the Joint Plant's actuarially required contribution for the year ended June 30, 2014, relative to all other contributing employers. At June 30, 2015, the Joint Plant's proportion was 14.207 percent.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Cost-sharing Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2015, the Joint Plant recognized pension expense of \$198,128. At June 30, 2015, the Joint Plant reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 137,856
Changes in assumptions	275,032	-
Net difference between projected and actual earnings on pension plan investments	<u>285,754</u>	<u>-</u>
Total	<u>\$ 560,786</u>	<u>\$ 137,856</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2016	\$ 117,671
2017	117,671
2018	116,150
2019	71,438

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.0 %
Salary increases	6.1 % Average, including inflation (ranges from 4.1 to 8 percent)
Investment rate of return	7.0 % Net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Male (110 percent) and Female (unadjusted) Healthy Life Mortality Table.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2014 through June 30, 2015.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Cost-sharing Defined Benefit Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The nominal long-term expected rate of return for the plan as a whole was 7.0 percent. The target allocation by asset class is as follows:

Asset Class	Target Allocation
Equities	60 %
Fixed income	40 %

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the Joint Plant, calculated using the discount rate of 7.0 percent, as well as what the Joint Plant's net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.0 percent) or one percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability (asset)	\$ 1,077,326	\$ (41,625)	\$ (976,352)

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 4 - Cost-sharing Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in a separately issued financial report available in the City of St. Joseph, Michigan's financial statements available at City Hall. The Plan's fiduciary net position has been determined on the same basis used by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 5 - Other Postemployment Benefits

Plan Description - The Joint Plant has elected to provide postemployment health benefits to all full-time employees upon retirement. Currently, two retirees are eligible for postemployment health benefits. The Joint Plant includes retirees who have met a minimum service requirement in its insured healthcare plan and pays 50 percent of the monthly premium cost through the age of 65 for nonunion employees. The union employees of the Joint Plant will only receive this benefit for two years after the date of retirement or through the date of eligibility for Medicare, whichever occurs first. Effective July 1, 2013, no new union employees are allowed to enter the plan. The plan does not issue a publicly available financial report.

Funding Policy - Retiree healthcare costs are recognized when paid by the Joint Plant on a "pay-as-you-go" basis. The Joint Plant has no obligation to make contributions in advance of when the insurance premiums are due for payment. The Joint Plant can, at its own discretion, contribute amounts determined annually using an alternative measure method. For the fiscal year ended June 30, 2015, the Joint Plant did not make any contributions for future postemployment healthcare premiums.

Funding Progress - The Joint Plant's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The Joint Plant has elected to calculate the ARC and related information using the alternative measure method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the Joint Plant's annual OPEB cost over the year, the amount actually contributed to the plan, and the changes in the net OPEB obligation:

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Other Postemployment Benefits (Continued)

Annual required contribution (recommended)	\$ 45,800
Interest on the prior year's net OPEB obligation	1,434
Less adjustment to the annual required contribution	<u>(4,816)</u>
Annual OPEB cost	42,418
Amounts contributed:	
Payments of current premiums	(4,687)
Advance funding	<u>-</u>
Increase in net OPEB obligation	37,731
OPEB obligation - Beginning of year	<u>143,417</u>
OPEB obligation - End of year	<u>\$ 181,148</u>

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Employer Contributions	
			Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/13	6/30/13	\$ 38,084	18.2 %	\$ 110,187
6/30/14	6/30/14	39,468	15.8	143,417
6/30/15	6/30/15	42,418	11.0	181,148

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/13	\$ -	\$ 286,122	\$ 286,122	- %	\$ 899,000	31.8 %
6/30/14	-	313,899	313,899	-	870,000	36.1
6/30/15	-	365,333	365,333	-	865,000	42.2

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62.

Marital status - Marital status of members at the calculation date was assumed to continue through retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2002 United States Life Tables for males and for females was used.

Turnover - Nongroup-specific age-based turnover data from GASB Statement No. 45 was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for the purpose of allocating to periods the present value of total benefits to be paid.

Health cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services. A rate of 7.0 percent was used.

Healthcare insurance premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits paid.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 5 - Other Postemployment Benefits (Continued)

Based on historical and expected returns of the Joint Plant's short-term investment portfolio, a discount rate of 1.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The UAAL is being amortized as a level dollar contribution on a closed basis. The remaining amortization period at June 30, 2015 was 26 years.

Note 6 - Risk Management

The Joint Plant is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Joint Plant participates in the following risk management plans sponsored by the Michigan Municipal League to minimize its exposure to loss in these areas:

- Michigan Municipal Liability and Property Pool - Property, general liability, errors and omissions, and automotive coverage
- Municipal Unemployment Compensation Group Account
- Michigan Municipal Workers' Compensation Fund

All full-time Joint Plant employees are enrolled in the Michigan Conference of Teamsters Welfare Fund for medical, dental, and vision insurance coverages.

The Joint Plant has also purchased commercial insurance coverage for short-term disability benefits for unionized employees.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Settled claims relating to the various risk pools or commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Notes to Financial Statements June 30, 2015 and 2014

Note 7 - Change in Accounting

During the current year, the Joint Plant adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the financial statements now include an asset for the overfunded legacy costs called a "net pension asset." Some of the changes in this net pension asset are recognized immediately as part of the pension expense measurement, and part are deferred and recognized over future years. Refer to the pension note, Note 4, for further details. The restatement caused an adjustment to the net position as of July 1, 2014 of \$511,477 to \$26,203,891. The restatement of the fiscal year 2014 financial statements was not practical as all necessary information for such a restatement was not available from the pension plan. As such, the fiscal year 2014 financial statements have not been restated.

Note 8 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Joint Plant is currently evaluating the impact this standard will have on the financial statements when adopted, during the Joint Plant's 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Joint Plant to recognize on the face of the financial statements its net OPEB liability. The Statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The Joint Plant is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Joint Plant's financial statements for the year ending June 30, 2018.

Required Supplemental Information

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Required Supplemental Information OPEB System Schedule Year Ended June 30, 2015

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/13	\$ -	\$ 286,122	\$ 286,122	-	\$ 899,000	31.8
6/30/14	-	313,899	313,899	-	870,000	36.1
6/30/15	-	365,333	365,333	-	865,000	42.2

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Required Supplemental Information Schedule of Joint Plant Contributions City of St. Joseph Employees' Retirement System Last Ten Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 151,202
Contributions in relation to the contractually required contribution	<u>151,202</u>
Contribution deficiency	<u>\$ -</u>
Joint Plant's covered employee payroll	\$ 865,000
Contributions as a percentage of covered employee payroll	17.5 %

Benton Harbor - St. Joseph Joint Wastewater Treatment Plant

Required Supplemental Information Schedule of the Joint Plant's Proportionate Share of the Net Pension Liability City of St. Joseph Employees' Retirement System Last Ten Fiscal Years

	<u>2015</u>
Joint Plant's proportion of the net pension liability (asset)	14.2 %
Joint Plant's proportionate share of the net pension liability (asset)	\$ (41,625)
Joint Plant's covered employee payroll	\$ 865,000
Joint Plant's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(4.8)%
Plan fiduciary net position as a percentage of total pension liability	- %

Other Supplemental Information

Benton Harbor - St. Joseph Joint Wastewater Treatment Plan

Schedule of Treatment Charges - Budget and Actual Year Ended June 30, 2015

	Original and Amended Budget (unaudited)	Actual	Variance Favorable (Unfavorable)
Sewage Treatment Charges			
Benton Harbor billings:			
City of Benton Harbor	\$ 439,000	\$ 463,571	\$ 24,571
Benton Charter Township	1,306,000	1,228,614	(77,386)
St. Joseph Charter Township	84,900	83,814	(1,086)
Total Benton Harbor billings	1,829,900	1,775,999	(53,901)
St. Joseph billings:			
City of St. Joseph	872,000	799,650	(72,350)
Lake Michigan Shoreline Authority	1,044,800	1,030,203	(14,597)
Total St. Joseph billings	1,916,800	1,829,853	(86,947)
Total sewage treatment charges	3,746,700	3,605,852	(140,848)
Other Operating Income			
Laboratory fees	14,000	16,024	2,024
Miscellaneous fees	148,400	253,913	105,513
Industrial surcharges	30,000	41,153	11,153
Total other operating income	192,400	311,090	118,690
Nonoperating Income - Interest earnings			
on investments	-	45,671	45,671
Total revenue	\$ 3,939,100	\$ 3,962,613	\$ 23,513

Benton Harbor - St. Joseph Joint Wastewater Treatment Plan

Schedule of Treatment Charges - Budget and Actual Year Ended June 30, 2015

	Original and Amended Budget (unaudited)	Actual	Variance Favorable (Unfavorable)
Sewage Treatment Charges			
Benton Harbor billings:			
City of Benton Harbor	\$ 439,000	\$ 463,571	\$ 24,571
Benton Charter Township	1,306,000	1,228,614	(77,386)
St. Joseph Charter Township	<u>84,900</u>	<u>83,814</u>	<u>(1,086)</u>
Total Benton Harbor billings	1,829,900	1,775,999	(53,901)
St. Joseph billings:			
City of St. Joseph	872,000	799,650	(72,350)
Lake Michigan Shoreline Authority	<u>1,044,800</u>	<u>1,030,203</u>	<u>(14,597)</u>
Total St. Joseph billings	<u>1,916,800</u>	<u>1,829,853</u>	<u>(86,947)</u>
Total sewage treatment charges	3,746,700	3,605,852	(140,848)
Other Operating Income			
Laboratory fees	14,000	16,024	2,024
Miscellaneous fees	148,400	253,913	105,513
Industrial surcharges	<u>30,000</u>	<u>41,153</u>	<u>11,153</u>
Total other operating income	192,400	311,090	118,690
Nonoperating Income - Interest earnings			
on investments	<u>-</u>	<u>45,671</u>	<u>45,671</u>
Total revenue	<u>\$ 3,939,100</u>	<u>\$ 3,962,613</u>	<u>\$ 23,513</u>