
Genesee County Drain Commissioner
Division of Water and Waste Services
(a component unit of Genesee County, Michigan)

**Financial Report
with Supplemental Information
December 31, 2022**

Genesee County Drain Commissioner

Division of Water and Waste Services

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Independent Auditor's Report

To Mr. Jeff Wright
Genesee County Drain Commissioner
Division of Water and Waste Services

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Enterprise Fund, business-type activities, discretely presented component unit, and aggregate remaining fund information of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division"), a component unit of Genesee County, Michigan, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund, business-type activities, discretely presented component unit, and aggregate remaining fund information of the Division as of December 31, 2022 and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Division and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the discretely presented component unit, Karegnondi Water Authority, were not audited under *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

To Mr. Jeff Wright
Genesee County Drain Commissioner
Division of Water and Waste Services

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To Mr. Jeff Wright
Genesee County Drain Commissioner
Division of Water and Waste Services

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Division'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Division's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2023 on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

Plante & Moran, PLLC

May 17, 2023

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

Genesee County (the "County") established a county agency through the County Improvement Act (Public Act 342). The County designated the Drain Commissioner as the county agency. The county agency created the Division of Water and Waste Services (the "Division") as its vehicle to perform required duties. The Division provides public utility services of water and wastewater treatment in parts of Genesee, Saginaw, Shiawassee, Oakland, Lapeer, and Livingston counties. The Division's mission is to treat and distribute water, and collect and treat wastewater in such a manner that is in compliance with all state and federal regulations and at the lowest possible cost to customers. Additionally, the Genesee County Board of Commissioners designated the Division as the county enforcing agency for soil erosion in Genesee County.

Primary Objectives and Oversight

The primary objectives of the Division are to maintain high-quality services along with residential and commercial water and sewer rates that are fair and cost effective to all concerned. Although not required by law, the Division maintains a yearly budget of income and expenses for all cost centers. The budget is reviewed and approved by an advisory board. Each community that is a customer of the Division has a seat on the advisory board, which meets monthly to provide guidance to the Division.

Responsibilities

The Division is responsible for the administration, operation, maintenance, and construction of infrastructure and treatment facilities for the communities (except the City of Flint) located in Genesee County for the sanitary system and water supply. The Division is divided into four distinct cost centers. These cost centers, which include Sewage Interceptor and Treatment, Water Supply, District No. 3 Sewage, and District No. 7 Sewage, have been established based upon revenue, responsibility, and definable core functions. In addition, the Division offers construction management and system operation and maintenance services to local communities.

Some of the key administrative and engineering duties of the sanitary sewer operations and the water department operations include comprehensive system planning, interaction and regulation of development, implementing capital improvement projects, and system budget management. The administration team is responsible for the overall operation of the utility's services, engineering, and soil erosion in Genesee County. It is this department's responsibility to secure, allocate, and monitor funding, personnel, and equipment resources for the Division to ensure safe, reliable, and efficient operation of the utility.

The primary functions of the support services area are to efficiently and uniformly provide support to the various operations departments. These services are grouped into categories as follows: general administration & planning, human resources & safety, finance, engineering, permits & soil erosion, billing, and information technology.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

The Operation and Maintenance Department - The Operation and Maintenance Department (O&M) has two primary functions: sanitary sewer collection and transportation, and water transmission and distribution. It also performs contracted operations and maintenance for certain local communities. As part of ensuring that these primary functions are met, O&M routinely performs the following tasks:

- Preventive maintenance on water and sewer infrastructure
- Staking of water and sewer infrastructure (Miss Dig)
- Jetting and televising of sanitary sewers
- Inspection of water and sewer infrastructure
- Investigation of customer complaints (i.e., plugged sewers, high usage, etc.)
- Meter installation, reading, and repairs
- Repair of broken water mains
- Coordination and repair of sanitary sewers and sewer main taps
- Cut and capping of individual water and sewer service leads as needed
- After-hours emergency response as needed
- Training in the operation and maintenance of the water and sewer systems, along with safety and regulatory compliance
- Establishment and oversight of capital improvement projects

Sewage Treatment Facilities - The core function of each sewage treatment facility is to effectively and efficiently treat sewage in compliance with regulations established by their NPDES (National Pollutant Discharge Elimination System) permit. Each facility strives to maintain good working relationships with customers and elected officials of their districts to achieve the goals of accountability, transparency, and credibility. Essential activities to accomplish these goals include the following:

- Efficient facility operation and maintenance
- Analytical support to ensure compliance with discharge limits and industrial pretreatment regulations
- Ongoing training for employees in plant operation, maintenance, safety, and regulatory compliance
- Robust residuals management
- Addition of various treatment chemicals and/or use of other treatment alternatives
- Planning for plant improvements, equipment replacement, and upgrades
- Emergency response planning
- Storage lagoon operation and maintenance
- Adherence to discharge limitations via continual monitoring
- Pollutant minimization
- Operation of an Industrial Pretreatment Program (IPP)

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

The sanitary sewer treatment operations are responsible for the handling and treatment of effluent at the three disposal facilities under the Division's jurisdiction. These plants are the Linden Facility (District No. 3), the Bird Road Lagoons (District No. 7), and the Anthony Ragnone Treatment Plant (ARTP) (Districts 1, 2, 5, and 6). In addition to serving large portions of Genesee County, the Division has contracts for sewer treatment outside of its jurisdiction with Shiawassee, Lapeer, Saginaw, Oakland, and Livingston counties.

ARTP provides sewage treatment for the majority of the Division's service area, with District Nos. 3 and 7 providing service for several outlying areas. And while the District Nos. 3 and 7 facilities are two distinctly separate operations, they are combined administratively due to their proximity to one another.

The Division also manages two programs that impact its treatment facilities:

- **Biosolids Disposal** - Each treatment plant is responsible for disposing wastewater treatment plant biosolids in a manner that is considered beneficial reuse, in particular, biosolids application on farmland. ARTP accomplished this goal in 2022 by applying 4,236 dry tons of stabilized biosolids on approximately 2,160 acres of approved fields. In 2022, District No. 3 applied 821 dry tons of stabilized biosolids on approximately 410 acres of approved fields.
- **Industrial Pretreatment Program** - The Division regulates and monitors industrial and nondomestic dischargers to the wastewater system. The Division reviews applications, issues discharge permits, verifies compliance, calculates fees and surcharge bills for the customers, and enforces regulations through discharge permits, which protect the wastewater treatment facilities and the environment. An arsenic program for drinking water systems was implemented to ensure compliance with MDEQ regulations. The ordinance also allows for best management practices (BMP) in regulating silver and mercury from over 450 physician and dental offices and grease and oil from approximately 1,100 restaurants. Inter-jurisdictional agreements and the sewer use ordinance have been distributed to the municipalities that discharge into the Division's systems, and the local unit of government approval process is ongoing. At this time, there are 14 significant industrial facilities, and four categorical users that pay surcharges for the cost of treating various substances they discharge to the Division.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Water Supply – Since 2017, the water supply department has been responsible for distributing treated water from our new Water Treatment Plant. The Division distributes potable water to local communities, which in turn supply their residential, commercial, and industrial customers. The Division also contracts with certain local municipalities to operate and maintain their local water distribution systems, as well as provide billing services for their individual customers.

The Division maintains a distribution system consisting of over 600 miles of water mains. It also installs water connections and performs turn-ons/offers at the request of its community customers, services and changes water meters, and oversees the backflow prevention program. In order to provide an uninterrupted supply of safe drinking water, the Division works to:

- Identify and evaluate water supply alternatives to meet normal and emergency needs
- Prepare cost estimates to construct, operate, and maintain selected alternatives
- Determine water treatment and pumping requirements

Water Treatment Plant – The water treatment plant, which was completed in 2017, transforms raw water supplied by the Karegnondi Water Authority into a finished water supply for the Division's community customers located throughout Genesee County. This facility is staffed 24/7 by qualified personnel who both treat and monitor water quality on a continual basis. Essential tasks routinely conducted at the water treatment plant include:

- Daily water quality testing
- Plant preventive maintenance
- Raw water reservoir operation and maintenance
- Cooperation with O&M staff to determine daily water volume needs and flows
- Continual recording and reporting of water quality factors to State of Michigan regulators
- Continuing education for plant operators
- Planning for future demands and regulations

Rate Structure

During 2022, the Division maintained water rates at prior year levels. Approved sewer rate increases for ARTP & Districts 3 and 7 took effect in January 2022. Water rates contain both a readiness to serve component and a commodity charge. For sewer customers who are also water customers, charges are likewise based on both a readiness to serve component as well as a commodity charge for metered usage. Sewer customers who are on private wells are non-metered, and therefore pay a flat rate charge each month.

Karegnondi Water Authority

The Karegnondi Water Authority (KWA) is a discretely presented component unit of the Division. KWA is governed by a 15-member board and was created pursuant to Act 233, Michigan Public Acts of 1955. Its purpose was to acquire and operate a water pipeline that provides water to the Division and the City of Flint, which in turn would treat the water to be provided to their residents. The City of Flint has since decided to continue purchasing treated water from the Great Lakes Water Authority (GLWA). In the future, KWA could also provide raw water to other local units in Lapeer and Sanilac counties. Please note that the Division has financial accountability for KWA, but also that this is subject to change based upon redistribution of KWA capacity units.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows provide information about the activities of the Division as a whole and assist in presenting a longer-term view of its finances.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following tables present condensed information about the Division's financial position compared to the prior year:

	December 31		Increase (Decrease)	Percent Change
	2022	2021		
Assets				
Current assets	\$ 45,412,762	\$ 34,654,405	\$ 10,758,357	31.0 %
Restricted assets	34,999,931	24,456,691	10,543,240	43.1
Noncurrent installment purchase receivable and other noncurrent assets	34,462,220	35,763,827	(1,301,607)	(3.6)
Capital assets	403,066,526	402,765,534	300,992	0.1
Total assets	517,941,439	497,640,457	20,300,982	4.1
Deferred Outflows of Resources	12,655,897	13,660,174	(1,004,277)	(7.4)
Liabilities				
Current liabilities	6,843,287	5,085,932	1,757,355	34.6
Liabilities payable from restricted assets	14,865,747	14,583,997	281,750	1.9
Other noncurrent liabilities	51,038,338	49,712,789	1,325,549	2.7
Long-term debt	232,084,571	233,058,081	(973,510)	(0.4)
Total liabilities	304,831,943	302,440,799	2,391,144	0.8
Deferred Inflows of Resources	15,985,769	17,878,114	(1,892,345)	(10.6)
Net Position				
Net investment in capital assets	212,318,089	205,832,522	6,485,567	3.2
Restricted	6,629,496	4,873,947	1,755,549	36.0
Unrestricted	(9,167,961)	(19,724,751)	10,556,790	53.5
Total net position	\$ 209,779,624	\$ 190,981,718	\$ 18,797,906	9.8

	Year Ended December 31		Increase (Decrease)	Percent Change
	2022	2021		
Revenue from operations	\$ 87,035,121	\$ 78,118,388	\$ 8,916,733	11.4 %
Interest on operating cash and receivables	868,402	71,443	796,959	1115.5
Total revenue	87,903,523	78,189,831	9,713,692	12.4
Sludge disposal charges	2,210,825	1,562,738	648,087	41.5
Cost of water	17,409,244	17,443,870	(34,626)	(0.2)
Operating and maintenance expense	33,690,897	30,847,871	2,843,026	9.2
Administrative and depreciation expense	14,478,000	14,605,110	(127,110)	(0.9)
Total operating expenses	67,788,966	64,459,589	3,329,377	5.2
Other nonoperating expense	(2,456,578)	(6,321,029)	3,864,451	(61.1)
Change in net position - Before capital contributions	17,657,979	7,409,213	10,248,766	138.3
Capital contributions	1,139,927	2,011,133	(871,206)	(43.3)
Change in net position	18,797,906	9,420,346	9,377,560	99.5
Net Position - Beginning of year	190,981,718	181,561,372	9,420,346	5.2
Net Position - End of year	\$ 209,779,624	\$ 190,981,718	\$ 18,797,906	9.8

Major Capital Assets and Debt Activity

The Interceptor and Treatment cost center issued \$13,150,000 in par value bonds in June 2022 for various sewer related projects along with refunding \$3,120,000 in par value of the outstanding 2011B bonds. These funds (along with additional planned bond sales) are being used to construct and improve sewage transmission and treatment facilities for our primary service area. In total, these sewage related projects could result in approximately \$50,000,000 of asset additions and improvements over the next several years.

The Interceptor and Treatment cost center also closed on a \$25,955,000 Clean Water State Revolving Fund bond in December 2022. Funds from this CWSRF bond will be received by the Division on a draw basis as certain qualifying expenditures are made beginning in 2023.

The Division pays for these, and other annual debt service, through the operating rates charged to users of the system, restricted County Capital Improvement Fees (CCIF) and installment purchase receivables from other governmental entities. Additionally, the Division utilized approximately \$5.1 million of Coronavirus State and Local Fiscal Recovery Funds on various Water and Sewer construction projects in 2022. Although CCIF is intended to cover certain outstanding bond issuances, it is not sufficient on an annual basis to cover the debt service, and is therefore subsidized by operating revenue. This underfunding was considered in the initial planning of the CCIF program. CCIF will continue to be collected after retirement of the related bonds to reconstitute the fund in full.

Financial Review

Highlights of significant financial activity during 2022 include:

Statement of Net Position

- Current assets increased approximately \$10.7M to approximately \$45.4M.
- Current liabilities increased by approximately \$1.7M to approximately \$6.8M.
- Combined unrestricted net position improved by about \$10.5M to end at approximately a negative \$9.2M. This negative unrestricted net position continues to be primarily attributable to pension and OPEB.

Statement of Revenue, Expenses, and Changes in Net Position

- Overall operating revenue increased by approximately \$8.9M (11.4 percent) in 2022. Water sales were up nearly \$3M, due in part to both planned and emergency service to the Great Lakes Water Authority and the City of Flint. Most of the remaining operating revenue increase was attributable to the sewer rate increases which took effect in January 2022.
- Investment income was up significantly to \$868,402 vs. \$71,443 in 2021, due to a sharp rise in interest rates which continued throughout the year.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Management’s Discussion and Analysis (Continued)

- Operating expenses increased \$3.3M or 5.2 percent. Inflationary pressures played a sizeable role leading to key increases in the following cost categories: Repairs & maintenance, chemicals and other supplies, utilities, and personnel costs.
- Yearly depreciation expenses were nearly constant due to construction projects still in progress and not being depreciated.

The following table shows the trend in Interceptor and Treatment (I&T) sewage treatment revenue compared to total flow volumes for the Division’s main ARTP treatment facility:

	<u>Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total revenue from I&T customers	\$ 33,370,192	\$ 26,398,238
Total flow (thousands of gallons)	9,872,950	10,696,734
Revenue per thousands of gallons treated	\$ 3.38	\$ 2.47

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

The following table shows the trend in water sales compared to volume of water purchased and volume of water sold, with the resulting water efficiency rate:

	<u>Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Total revenue from water sales	\$ 45,183,308	\$ 42,277,837
Volume of water purchased (cu. ft.) by Division	809,910,274	614,399,801
Volume of water sold (cu. ft.) by Division	781,783,171	587,824,603
Water efficiency rate	96%	96%
Revenue per 100 cu. ft. of water sold	\$ 5.78	\$ 7.19

Contacting the Division's Management

This financial report is intended to provide our constituents, sewer/water users, and bondholders with a general overview of Genesee County Drain Commissioner Division of Water and Waste Services' accountability for the money it receives. These financial statements are included as a component unit of Genesee County and should be viewed as part of the government-wide financial statements. If there are questions about this report or if additional information is needed, we welcome anyone to contact the Drain Commissioner or the director of the Division.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Statement of Net Position

December 31, 2022

	Primary Government	Component Unit - September 30, 2022
	Enterprise Fund	Karegnondi Water Authority
Assets		
Current assets:		
Cash and cash equivalents	\$ 24,065,328	\$ 11,327,842
Receivables:		
Receivables from sales to customers on account	14,575,259	-
Due from other governments	4,463,360	262,365
Current portion of installment purchase receivable (Note 9)	1,225,000	-
Prepaid expenses and other assets	1,083,815	12,084
Total current assets	45,412,762	11,602,291
Noncurrent assets:		
Restricted assets (Notes 1 and 3)	34,999,931	36,278,686
Installment purchase receivable - Net of current portion (Note 9)	29,203,572	-
Due from other governmental units	5,258,648	-
Capital assets: (Note 4)		
Assets not subject to depreciation	19,020,793	180,527
Assets subject to depreciation - Net	384,045,733	305,718,387
Total noncurrent assets	472,528,677	342,177,600
Total assets	517,941,439	353,779,891
Deferred Outflows of Resources		
Bond refunding loss being amortized	163,774	-
Deferred outflows related to pensions (Note 6)	7,900,358	-
Deferred OPEB costs (Note 7)	4,591,765	-
Total deferred outflows of resources	12,655,897	-
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	5,047,115	394,018
Advance from primary government - Current (Note 10)	400,000	-
Current portion of long-term debt (Note 5)	1,396,172	-
Total current liabilities	6,843,287	394,018
Noncurrent liabilities:		
Advance from primary government - Noncurrent (Note 10)	1,600,000	-
Payable from restricted assets	14,865,747	13,694,969
Installment purchase interest payable	-	5,258,648
Net pension liability (Note 6)	20,358,772	-
Net OPEB liability (Note 7)	29,079,566	-
Long-term debt - Net of current portion (Note 5)	232,084,571	295,792,671
Total noncurrent liabilities	297,988,656	314,746,288
Total liabilities	304,831,943	315,140,306
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 6)	9,462,265	-
Deferred OPEB cost reductions (Note 7)	6,523,504	-
Total deferred inflows of resources	15,985,769	-
Net Position		
Net investment in capital assets	212,318,089	21,940,366
Restricted for debt service	6,629,496	10,453,179
Unrestricted	(9,167,961)	6,246,040
Total net position	<u>\$ 209,779,624</u>	<u>\$ 38,639,585</u>

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2022

	Primary Government	Component Unit - Year Ended September 30, 2022
	Enterprise Fund	Karegnondi Water Authority
Operating Revenue		
Sale of water	\$ 45,183,308	\$ 2,542,918
Sewage disposal charges	37,794,292	-
Billing services	146,631	-
Water meter sales	237,825	-
Sewer and pumping station - Operation and maintenance	1,502,378	-
Other operating revenue	1,821,437	-
Operating revenue - Federal grants	349,250	-
Total operating revenue	<u>87,035,121</u>	<u>2,542,918</u>
Operating Expenses		
Cost of water	17,409,244	-
Sludge disposal service	2,210,825	-
Cost of insurance claims and expenses	1,046,055	31,223
Repairs and maintenance	3,998,612	125,738
Other supplies and expenses	2,777,344	77,206
Contractual services	1,295,861	442,926
Utilities	4,650,473	733,246
Personnel services	22,264,468	-
Depreciation	12,136,084	5,558,516
Total operating expenses	<u>67,788,966</u>	<u>6,968,855</u>
Operating Income (Loss)	19,246,155	(4,425,937)
Nonoperating Revenue (Expense)		
Investment income - Net	868,402	563,269
Community bond interest income	1,476,569	-
Community bond interest expense	(1,476,569)	-
Capacity/Debt service fee	-	21,394,801
Miscellaneous income	774,701	-
Interest and fiscal charges	(7,671,906)	(14,044,044)
Nonoperating revenue - Federal grant	4,786,417	-
Nonoperating expense - Community construction projects	(345,790)	-
Total nonoperating (expense) revenue	<u>(1,588,176)</u>	<u>7,914,026</u>
Income - Before capital contributions	17,657,979	3,488,089
Capital Contributions	<u>1,139,927</u>	<u>-</u>
Change in Net Position	18,797,906	3,488,089
Net Position - Beginning of year	<u>190,981,718</u>	<u>35,151,496</u>
Net Position - End of year	<u><u>\$ 209,779,624</u></u>	<u><u>\$ 38,639,585</u></u>

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Statement of Cash Flows

Year Ended December 31, 2022

	Primary Government Enterprise Fund	Component Unit - Year Ended September 30, 2022 Karegnondi Water Authority
Cash Flows from Operating Activities		
Receipts from customers	\$ 88,676,105	\$ 2,456,603
Payments to suppliers and others for goods and services	(33,763,264)	(1,590,625)
Payments for salaries and employee benefits	(22,796,457)	-
Net cash and cash equivalents provided by operating activities	<u>32,116,384</u>	<u>865,978</u>
Cash Flows from Capital and Related Financing Activities		
Other debt financing activities	(324,691)	-
Collection of installment purchase receivable from communities	90,000	-
Collection of interest from communities	31,651	-
Principal and interest paid on community debt	(121,651)	-
Collection of installment purchase receivable from KWA	1,075,000	-
Collection of interest from KWA	1,454,438	-
Principal paid on bond and note maturities	(11,532,241)	(7,195,000)
Interest paid on bonds and notes	(9,396,192)	(14,820,551)
Proceeds from issuance of debt	14,665,789	-
Advance from primary government	2,000,000	-
Refunded debt - Amounts paid to escrow agent	(3,148,606)	(180,527)
Purchase of capital assets	(11,494,045)	-
Miscellaneous revenue	794,413	-
Federal grant contribution	1,352,906	-
Capital contributions from communities	1,158,096	-
Community construction project expense	(283,294)	-
Capacity/Debt service fee	-	21,394,801
Net cash and cash equivalents used in capital and related financing activities	<u>(13,678,427)</u>	<u>(801,277)</u>
Cash Flows Provided by Investing Activities - Investment income	<u>868,402</u>	<u>563,269</u>
Net Increase in Cash and Cash Equivalents	19,306,359	627,970
Cash and Cash Equivalents - Beginning of year	<u>39,758,900</u>	<u>46,978,558</u>
Cash and Cash Equivalents - End of year	<u>\$ 59,065,259</u>	<u>\$ 47,606,528</u>
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 24,065,328	\$ 11,327,842
Restricted cash	<u>34,999,931</u>	<u>36,278,686</u>
Total cash and cash equivalents	<u>\$ 59,065,259</u>	<u>\$ 47,606,528</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 19,246,155	\$ (4,425,937)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	12,136,084	5,558,516
Changes in assets and liabilities:		
Receivables	1,640,984	-
Due from other governmental units	-	(86,315)
Prepaid and other assets	(208,360)	(12,084)
Net pension and OPEB liability	(705,780)	-
Accounts payable and accrued expense	7,301	(168,202)
Total adjustments	<u>12,870,229</u>	<u>5,291,915</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 32,116,384</u>	<u>\$ 865,978</u>
Significant Noncash Transactions - Capital contributions	\$ 34,174	\$ -

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Statement of Fiduciary Net Position

December 31, 2022

	<u>OPEB Fiduciary Trust</u>
Assets - Interest in pooled investments	<u>\$ 28,273,933</u>
Net Position - Restricted - Postemployment benefits other than pension	<u>\$ 28,273,933</u>

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2022

	<u>OPEB Fiduciary Trust</u>
Additions	
Investment loss	\$ (3,228,485)
Contributions	<u>2,629,451</u>
Total additions	(599,034)
Deductions	
Benefit payments	1,629,451
Administrative expenses	<u>51,274</u>
Total deductions	<u>1,680,725</u>
Net Decrease in Fiduciary Net Position	(2,279,759)
Net Position - Beginning of year	<u>30,553,692</u>
Net Position - End of year	<u><u>\$ 28,273,933</u></u>

December 31, 2022

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

Genesee County Drain Commissioner Division of Water and Waste Services (the "Division" or Water and Waste Services), a component unit of Genesee County, Michigan, 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 Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Division:

Reporting Entity

The Division is a discretely presented component unit of Genesee County, Michigan (the "County"). The Division was organized in September 1965 under Michigan's Public Act 342 of 1939 (as amended subsequently). The Division's major operations are the construction and operation of water and waste systems in the County and certain areas in surrounding counties. Construction is financed with proceeds from the sale of bonds and federal and state grants. The operating activities are financed primarily through user charges to municipalities in the systems.

The financial statements of the Division have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Included within the reporting entity are the following:

1. Genesee County Sewage Disposal Systems Nos. 1, 2, 5, and 6 (interceptor and treatment facilities)
2. Genesee County Sanitary Sewage Disposal Systems Nos. 3 and 7
3. Genesee County water supply systems
4. Karegnondi Water Authority - Component unit (Water Fund)

Discretely Presented Component Unit

In evaluating how to define the Division for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governmental body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Division is able to exercise oversight responsibilities. Based on the application of these criteria, the Karegnondi Water Authority and the OPEB Fiduciary Trust will be presented as described in the following paragraph.

Karegnondi Water Authority

The Karegnondi Water Authority (the "Authority" or KWA) was created to construct a water supply line in Lake Huron and transport that water to its treatment facilities east of Genesee County. The Authority's governing body consists of 15 individuals, of which 8 are currently directly or indirectly appointed by the Drain Commissioner. In addition, these board members may be removed at the discretion of the Drain Commissioner. The appointment of board members is subject to change in the future, as additional water supply contracts are entered into or capacity units are redistributed. Complete financial reports can be obtained at the Authority's administrative offices at 4610 Beecher Road, Flint, MI 48532. KWA reports its activities on a fiscal year ending September 30. The KWA column included in these financial statements, therefore, is as of and for the year ended September 30, 2022.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

OPEB Fiduciary Trust

The OPEB Fiduciary Trust is a trust governed by the Division that provides other postemployment benefits to eligible employees of the Division. Although it is legally separate from the Division, it is reported as a fiduciary component unit because the Division maintains operational control and the plan imposes a financial burden on the Division.

Report Presentation

This report includes the fund-based statements of the Division. 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.

Fund Accounting

Proprietary Funds

The Division reports the following major proprietary fund:

The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- The OPEB Fiduciary Trust, which accumulates resources for future retiree health care payments to retirees

Basis of Accounting

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value based on quoted market prices. Short-term investments are reported at cost, which approximates fair value.

Receivables and Payables

Outstanding balances between funds are reported in the basic financial statements as internal balances. All trade receivables are shown as net of an allowance for uncollectible amounts.

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

The Division's bond ordinance requires certain amounts to be set aside for debt service principal and interest. In addition, unspent bond proceeds and county capital improvement fees are restricted for the construction of water collection and sewage disposal systems projects and debt service. These amounts have been classified as restricted assets. When an expense is incurred that allows the use of restricted assets (such as bond debt principal and interest), those assets are applied before utilizing any unrestricted assets.

Installment Purchase Receivable

Installment purchase receivable consists of amounts due to the Division from various municipalities and the component unit, Karegnondi Water Authority, for construction activity. The Division constructs assets for various municipalities under Act 342. Under this act, the County issues bonds and constructs assets on behalf of municipalities. These assets are then leased by the municipalities over the lives of the bonds. Payments approximate the debt service requirements of the associated bonds. At December 31, 2022, installment purchase receivables include \$29,230,000 from the Karegnondi Water Authority and \$1,198,572 from other municipalities. See Note 9 for amounts receivable from Karegnondi Water Authority.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., underground networks), are reported in the Enterprise Fund in the fund financial statements. Capital assets are defined by the Division as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed for interest incurred prior to December 31, 2018. Interest incurred during construction after December 31, 2018 is included as interest expense in the statement of revenue, expenses, and changes in net position.

Depreciation has been calculated on each class of property using the straight-line method based on the estimated useful lives of the assets, as follows:

	<u>Depreciable Life - Years</u>
Land improvements and underground networks	25-100
Buildings and improvements	10-50
Machinery and equipment	3-25
Vehicles	5-15

Community Construction Projects

Local unit construction expense represents construction of water and sewer distribution and collection systems performed by the Division for local communities. The projects are recorded as a nonoperating community construction expense during the construction phase. When the projects are substantially complete, the asset is owned by the local community per agreement.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Liabilities Payable from Restricted Assets

The Division uses the restricted assets to liquidate construction-related payables and current interest and principal payable on outstanding bonds. Therefore, these amounts due have been reported as a noncurrent liability.

Deferred Outflows/Inflows of Resources

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

The Division reports deferred outflows related to pension and OPEB costs (see Notes 6 and 7 for detail), as well as deferred charges related to advance refundings of bond issues.

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

The Division reports deferred inflows related to pensions and OPEB (see Notes 6 and 7 for detail) that will reduce future year pension expense.

Net Position

Net position of the Division is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted for debt service consists of funds restricted to meet future interest and principal payments on bond obligations. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Division will sometimes 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 government-wide and 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 Division's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

Pension

The Division offers a defined benefit pension plan to its employees. The Division records a net pension liability 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Genesee County Employees Retirement System (GCERS) 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 Division offers retiree health care benefits to retirees. The Division records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Division's OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences (Vacation and Personal Leave)

It is the Division's policy to permit employees to accumulate earned but unused vacation and personal pay benefits. Personal pay is accrued for the estimated amount that the Division will pay upon retirement or separation. A total of 80 hours of personal leave is granted each year, of which 40 hours is credited in January and 40 hours is credited in July. All employees are paid up to 112 hours at current salary upon retirement or separation. Union employees are paid up to 112 hours at current salary upon retirement only. Vacation pay is accrued when incurred. Vacation time is granted twice a year based on the length of service, and the unpaid accumulated balance is paid upon retirement or separation at the current salary. Both of these are reported in proprietary fund financial statements. Generally, the funds that report each employee's compensation are used to liquidate the obligations. At December 31, 2022, the Division has recorded a liability of approximately \$730,000 for accumulated vacation and personal leave.

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 of the Enterprise Fund is charges to customers for sales and services. The Enterprise Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

December 31, 2022

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncement

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Division is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Division's financial statements for the year ending December 31, 2023.

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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 OPEB Fiduciary Trust fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Division has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The Division's deposits and investment policies are in accordance with statutory authority.

The Division'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 Division's deposits may not be returned to it. The Division does not have a deposit policy for custodial credit risk. At year end, the Division had bank deposits of \$1,440,376 (checking and savings accounts) that were uninsured and uncollateralized. Bank deposits of \$280,009 were insured, and \$0 was collateralized. The Division believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Division 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.

December 31, 2022

Note 2 - Deposits and Investments (Continued)

For the year ended September 30, 2022, Karegnondi Water Authority had \$215,489 (checking and savings accounts) that was not fully insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Division's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

The MI CLASS investment pool has a weighted-average maturity of 60 days or less.

Credit Risk

As of December 31, 2022, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
MI CLASS investment pool - The Division	\$ 58,470,934	S&P	AAAm
MI CLASS investment pool - Component unit	47,046,015	S&P	AAAm

Concentration of Credit Risk

The Division places no limit on the amount it may invest in any one issuer. At December 31, 2022, all of the Division's investments are in MI CLASS investment pool.

Fair Value Measurements

The Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Division's investment in the MERS Total Market Portfolio (\$28,273,933) is valued at net asset value. The Division's investment in the MI CLASS investment pool (\$58,470,934) is valued at net asset value. The component unit's investment in the MI CLASS investment pool (\$47,046,015) is valued at net asset value. At December 31, 2022, there were no unfunded commitments or redemption restrictions.

The MERS Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers.

The MI CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, and other public agencies.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 3 - Restricted Assets

At December 31, 2022, restricted assets are composed of the following:

Description	Enterprise Fund	Component Unit - KWA
Unspent bond proceeds and related interest	\$ 15,200,450	\$ -
Unspent bond proceeds held by the County	100,000	66,667
General obligation and revenue bond restrictions:		
Debt reserve/redemption	19,699,481	20,859,011
Capacity/Debt service fee for debt service	-	15,353,008
Total	<u>\$ 34,999,931</u>	<u>\$ 36,278,686</u>

The general obligation bond debt reserve is restricted for debt service per the bond agreements. The KWA capacity fee is restricted per the bond agreement for current principal and interest payments on general obligation bonds and the installment purchase receivable.

Net position has been restricted for \$6,629,496 and \$10,453,179 for the Division and KWA, respectively, related to the restricted assets held for debt service, net of the related payable.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 4 - Capital Assets

Capital asset activity of the Division's proprietary funds was as follows:

Proprietary Funds

	Balance January 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2022
Enterprise Fund					
Capital assets not being depreciated:					
Land	\$ 2,885,949	\$ -	\$ 81,402	\$ -	\$ 2,967,351
Construction in progress	4,284,882	(296,769)	12,113,527	(48,198)	16,053,442
Subtotal	7,170,831	(296,769)	12,194,929	(48,198)	19,020,793
Capital assets being depreciated:					
Distribution and collections system	502,970,287	-	-	-	502,970,287
Buildings and equipment	37,124,576	296,769	191,252	-	37,612,597
Vehicles	3,340,761	-	99,093	-	3,439,854
Subtotal	543,435,624	296,769	290,345	-	544,022,738
Accumulated depreciation:					
Distribution and collections system	133,215,243	-	10,182,749	-	143,397,992
Buildings and equipment	12,563,580	-	1,657,329	-	14,220,909
Vehicles	2,062,098	-	296,006	-	2,358,104
Subtotal	147,840,921	-	12,136,084	-	159,977,005
Net capital assets being depreciated	395,594,703	296,769	(11,845,739)	-	384,045,733
Net Enterprise Fund capital assets	\$ 402,765,534	\$ -	\$ 349,190	\$ (48,198)	\$ 403,066,526

Capital asset activity for the Division's component unit, KWA, for the year ended September 30, 2022 was as follows:

Component Unit

	Balance October 1, 2021	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2022
Capital assets not being depreciated - Construction in progress of water pipeline					
	\$ -	\$ -	\$ 180,527	\$ -	\$ 180,527
Capital assets being depreciated - Water pipeline					
	333,450,158	-	-	-	333,450,158
Accumulated depreciation	22,173,255	-	5,558,516	-	27,731,771
Net capital assets being depreciated	311,276,903	-	(5,558,516)	-	305,718,387
Net capital assets	\$ 311,276,903	\$ -	\$ (5,377,989)	\$ -	\$ 305,898,914

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 4 - Capital Assets (Continued)

Construction Commitments

The Division has active construction projects at year end, which include improvements and extensions to the water and sewage disposal systems. The Division has spent \$37,787,675 to date and has \$60,684,640 remaining on outstanding contracts.

The component unit, KWA, has spent \$153,526 and had significant construction commitments of \$1,666,055 at September 30, 2022.

Note 5 - Long-term Debt

The Division issues bonds to provide for the construction of water and waste systems in Genesee County and certain areas in surrounding counties. General obligation bonds are direct obligations and pledge the full faith and credit of the County. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service and require certain financial covenants to be met.

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:					
Interceptor and Treatment Revenue Bond, Series 2005A	\$ 6,225,000	\$ -	\$ (1,205,000)	\$ 5,020,000	\$ 1,225,000
Interceptor and Treatment Revenue Bond, Series 2005B	4,360,000	-	(845,000)	3,515,000	860,000
Interceptor and Treatment Revenue Bond, Series 2006A	945,000	-	(150,000)	795,000	155,000
Interceptor and Treatment Revenue Bond, Series 2006B	2,575,000	-	(410,000)	2,165,000	420,000
Interceptor and Treatment Revenue Bond, Series 2006C	1,450,000	-	(230,000)	1,220,000	235,000
Interceptor and Treatment Revenue Bond, Series 2007	4,065,000	-	(555,000)	3,510,000	560,000
Interceptor and Treatment Revenue Bond, Refunding Series 2017	11,415,000	-	(1,380,000)	10,035,000	1,425,000
Interceptor and Treatment Revenue Bond, Series 2010A	7,106,023	-	(710,000)	6,396,023	745,000
Interceptor and Treatment Revenue Bond, Series 2011A	815,000	-	(75,000)	740,000	75,000
Interceptor and Treatment Revenue Bond, Series 2020A	13,525,000	-	(305,000)	13,220,000	290,000
Revenue Bond, Series 2020A Bond premium	1,830,855	-	(96,361)	1,734,494	-
Sewage Disposal Revenue Bond, Series 2010A	555,000	-	(55,000)	500,000	55,000
Installment Purchase Agreement - 2021 Vactor	237,704	-	(117,472)	120,232	120,232
Installment Purchase Agreement - Excavator	100,709	-	(49,769)	50,940	50,940
Sewage Disposal Revenue Bond, Refunding Series 2017	2,480,000	-	(385,000)	2,095,000	395,000
Water Supply System Revenue Bond, Series 2016A	4,303,354	-	(200,000)	4,103,354	205,000
Water Supply System Revenue Bond, Series 2017A	8,835,000	-	(445,000)	8,390,000	455,000
Water Supply System Revenue Bond, Series 2011	519,265	-	(45,000)	474,265	50,000
Water Supply System Revenue Bond, Series 2011 Bond premium	12,184	-	(12,184)	-	-
Water Supply System Revenue Bond, Series 2015	769,307	-	(45,000)	724,307	50,000
Total direct borrowings and direct placements principal outstanding	72,124,401	-	(7,315,786)	64,808,615	7,371,172

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 5 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Other debt:					
Interceptor and Treatment Revenue Bond, Series 2011B	\$ 3,410,000	\$ -	\$ (3,410,000)	\$ -	\$ -
Water Supply System Revenue Bond, Series 2013	27,980,000	-	(1,075,000)	26,905,000	1,125,000
Water Supply System Revenue Bond, Series 2013 Bond premium	429,801	-	(25,283)	404,518	-
Water Supply System Revenue Bond, Series 2014	20,750,000	-	(1,640,000)	19,110,000	1,735,000
Water Supply System Revenue Bond, Series 2014 Bond premium	1,000,091	-	(76,930)	923,161	-
Water Supply System Limited Tax Bond, Series 2015	57,395,000	-	(740,000)	56,655,000	770,000
Water Supply System Limited Tax Bond, Series 2015 Bond premium	1,889,894	-	(78,745)	1,811,149	-
Water Supply System Limited Tax Bond, Series 2016	54,290,000	-	(670,000)	53,620,000	700,000
Water Supply System Limited Tax Bond, Series 2016 Bond premium	5,411,135	-	(216,443)	5,194,692	-
Interceptor and Treatment Revenue Bond, Series 2022	-	13,150,000	-	13,150,000	240,000
Revenue Bond, Series 2022 Bond premium	-	1,515,788	(72,180)	1,443,608	-
Total other debt principal outstanding	172,555,921	14,665,788	(8,004,581)	179,217,128	4,570,000
Total business-type activities long-term debt	\$ 244,680,322	\$ 14,665,788	\$ (15,320,367)	\$ 244,025,743	\$ 11,941,172

Component Unit

	Beginning Balance October 1, 2021	Additions	Reductions	Ending Balance September 30, 2022	Due within One Year
Bonds and contracts payable:					
Direct borrowings - Installment purchase obligation	\$ 31,325,000	\$ -	\$ (1,020,000)	\$ 30,305,000	\$ 1,075,000
Other debt - Bond	265,175,000	-	(6,175,000)	259,000,000	6,445,000
Unamortized bond premiums	14,650,948	-	(643,277)	14,007,671	-
Total component unit long-term debt	\$ 311,150,948	\$ -	\$ (7,838,277)	\$ 303,312,671	\$ 7,520,000

A total of \$10,545,000 of the \$11,941,172 due within one year for the Division is included in payable from restricted assets on the statement of net position. Karegnondi Water Authority debt due within one year of \$7,520,000 at September 30, 2022 is included in payable from restricted assets on the statement of net position.

Total interest expense for the Division for the year was \$9,383,970, none of which was capitalized. Total interest expense for KWA for the year was \$14,686,572.

During the year ended December 31, 2022, the Division adopted GASB 87, *Leases*. As a result, capital lease terminology has been changed to installment purchase.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 5 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending December 31	Business-type Activities				Component Unit Activities			
	Direct Borrowings and Direct Placements		Other Debt		Total	Other Debt		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2023	\$ 7,371,172	\$ 1,621,340	\$ 4,570,000	\$ 7,727,825	\$ 21,290,337	\$ 6,445,000	\$ 13,044,362	\$ 19,489,362
2024	7,355,000	1,474,007	4,795,000	7,497,450	21,121,457	6,760,000	12,714,237	19,474,237
2025	7,500,000	1,323,821	5,050,000	7,255,200	21,129,021	7,105,000	12,367,613	19,472,613
2026	7,645,000	1,166,002	5,305,000	6,999,575	21,115,577	7,460,000	12,003,488	19,463,488
2027	5,725,000	1,007,887	5,755,000	6,749,800	19,237,687	7,830,000	11,621,238	19,451,238
2028-2032	13,984,288	3,415,362	33,195,000	28,497,547	79,092,197	45,605,000	51,441,750	97,046,750
2033-2037	9,759,307	1,628,769	38,885,000	21,259,828	71,532,904	58,550,000	38,197,794	96,747,794
2038-2042	3,734,354	212,729	41,960,000	11,591,231	57,498,314	75,275,000	21,022,038	96,297,038
2043-2047	-	-	29,925,000	2,505,725	32,430,725	43,970,000	3,045,249	47,015,249
Total	\$ 63,074,121	\$ 11,849,917	\$ 169,440,000	\$ 100,084,181	\$ 344,448,219	\$ 259,000,000	\$ 175,457,769	\$ 434,457,769

Advance Bond Refunding

During the year, the Division issued \$13,150,000 in revenue bonds with an interest rate of 5.00 percent. A portion of the proceeds of these bonds were used to advance refund \$3,120,000 of outstanding revenue bonds with an interest rate ranging from 3.00 to 5.00 percent, with the remaining proceeds being used for other capital projects. The net proceeds of \$3,148,606 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments over the next nine years by approximately \$203,767, which represents an economic gain of approximately \$195,628.

Note 6 - Pension Plan

Plan Description

The Division participates in a contributory agent multiple-employer defined benefit pension plan known as the Genesee County Employees Retirement System (the "System"), administered by Genesee County, Michigan. The plan is included as a pension trust fund in Genesee County's Annual Comprehensive Financial Report.

The System issues a publicly available financial report that can be obtained at 1101 Beach Street, Flint, MI 48502 or on the State of Michigan's website.

GCERS was organized pursuant to Section 12a of Act 156, State of Michigan Public Acts of 1851 (MSA 5.33(l); MCLA 46.12a), as amended. GCERS was established by ordinance in 1946, beginning with general county employees and the County Road Commission. Genesee County Water and Waste Services joined the System in 1956; Genesee County Community Mental Health joined in 1966; the City of Mt. Morris, Michigan joined in 1969; and the Genesee District Library joined in 1980. GCERS is regulated under the Genesee County Employees' Retirement System Ordinance, the sections of which have been approved by the State of Michigan Pension Commission.

Benefits Provided

GCERS provides certain retirement, disability, and death benefits to plan members and beneficiaries on behalf of the Division. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in GCERS.

December 31, 2022

Note 6 - Pension Plan (Continued)

The Division's vesting of benefits occurs after 10 years of service. Generally, participants may elect normal retirement with 23 years of credited service, regardless of age, or retire at age 60 with 10 or more years of credited service; however, employees hired on or after January 1, 2006 may retire at age 55 or older with 23 or more years of credited service or at age 60 with 10 or more years of credited service. Retirement benefits are payable monthly. The retirement benefit is equal to the employee's final average compensation times the sum of 2.0 percent for the first 25 years of credited service, then 1.0 percent for every year of credited service thereafter; 2.4 percent for the first 25 years of credited service, then 1.0 percent for every year of credit service thereafter; or 2.4 percent for each year of credited service depending on hire date. The Division has a deferred retirement option that requires at least 10 years of credited service to receive benefits at the age of 60.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment is 3.5 percent, noncompounding, for five years with a two-year delay.

Benefit terms, within the parameters established by GCERS, are generally established and amended by authority of the County Commissioners, generally after negotiations of these terms with the affected unions. The covered employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Genesee County Employees Retirement Plan
Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	118
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	<u>146</u>
Total employees covered by the plan	<u><u>273</u></u>

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. Accordingly, GCERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the GCERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2022, nonunion employees contributed 7.0 percent of annual pay and union employees contributed 8.2 percent of annual pay, and the Division's prescribed actuarial contribution rate was 26.19 percent of annual payroll.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 6 - Pension Plan (Continued)

Net Pension Liability

The Division has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The December 31, 2022 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2021	\$ 82,010,038	\$ 56,780,381	\$ 25,229,657
Changes for the year:			
Service cost	1,676,303	-	1,676,303
Interest	5,708,924	-	5,708,924
Changes in benefits	665,453	-	665,453
Differences between expected and actual experience	(1,526,760)	-	(1,526,760)
Changes in assumptions	381,565	-	381,565
Contributions - Employer	-	2,911,289	(2,911,289)
Contributions - Employee	-	780,575	(780,575)
Net investment income	-	8,144,259	(8,144,259)
Benefit payments, including refunds	(4,260,558)	(4,260,558)	-
Administrative expenses	-	(59,753)	59,753
Net changes	2,644,927	7,515,812	(4,870,885)
Balance at December 31, 2021	\$ 84,654,965	\$ 64,296,193	\$ 20,358,772

The plan's fiduciary net position represents 76.0 percent of the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Division recognized pension expense of \$2,433,161.

At December 31, 2022, the Division 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	\$ 1,549,441	\$ (1,545,915)
Changes in assumptions	3,566,558	(2,959,858)
Net difference between projected and actual earnings on pension plan investments	-	(4,956,492)
Employer contributions to the plan subsequent to the measurement date	2,784,359	-
Total	\$ 7,900,358	\$ (9,462,265)

Note 6 - Pension Plan (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount
2023	\$ (1,801,051)
2024	(1,843,255)
2025	(291,739)
2026	(371,153)
2027	(39,068)

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 2.50 to 8.50 percent, which include across-the-board increases, along with merit and longevity increases that range from 1.00 percent up to 6.00 percent; an investment rate of return (net of administrative and investment expenses) of 7.00 percent; and the Pub-2010 Mortality Table with generational mortality improvements using Scale MP-2021.

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 division 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.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model 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 7.00 percent. The target allocation by class is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities active or passive - Large cap	22.00 %	3.65 %
U.S. equities active or passive - Small/Mid cap	20.00	4.04
Non-U.S. equities	15.00	4.14
Domestic fixed income	18.00	0.23
Real estate	18.00	3.21
Direct lending	5.00	3.87
Cash equivalents	2.00	-

December 31, 2022

Note 6 - Pension Plan (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Division, calculated using the discount rate of 7.0 percent, as well as what the Division's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability of the Division	\$ 30,404,624	\$ 20,358,772	\$ 11,915,005

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported 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.

Assumption Changes

For the December 31, 2021 actuarial valuation, there were assumption changes that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the mortality tables utilized and the assumed salary increases; see above for the assumption used.

Note 7 - Other Postemployment Benefit Plan

Plan Description

The Division administers the Genesee County Drain Commissioner Division of Water and Waste Services OPEB Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for various classes of employees.

Benefits Provided

The Plan provides health care and vision benefits for retirees and their dependents. Benefits are provided through the Division's self-insurance program, and the full cost of benefits is covered by the Plan.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	<u>OPEB Plan</u>
Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	112
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<u>159</u>
Total plan members	<u><u>275</u></u>

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 7 - Other Postemployment Benefit Plan (Continued)

Contributions

The Division establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2022, the Division's contribution was \$2,629,451. Employees are not required to contribute to the Plan.

Net OPEB Liability

The Division has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2022 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2022 measurement date. The December 31, 2022 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at January 1, 2022	\$ 54,574,824	\$ 30,553,692	\$ 24,021,132
Changes for the year:			
Service cost	1,136,249	-	1,136,249
Interest	3,843,709	-	3,843,709
Differences between expected and actual experience	(698,114)	-	(698,114)
Changes in assumptions	126,282	-	126,282
Contributions - Employer	-	2,629,451	(2,629,451)
Net investment loss	-	(3,259,696)	3,259,696
Benefit payments, including refunds	(1,629,451)	(1,629,451)	-
Administrative expenses	-	(20,063)	20,063
Net changes	2,778,675	(2,279,759)	5,058,434
Balance at December 31, 2022	\$ 57,353,499	\$ 28,273,933	\$ 29,079,566

The Plan's fiduciary net position represents 49.3 percent of the total OPEB liability.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the Division recognized OPEB expense of \$2,274,872.

At December 31, 2022, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 781,436	\$ (3,451,996)
Changes in assumptions	1,351,069	(3,071,508)
Net difference between projected and actual earnings on OPEB plan investments	2,459,260	-
Total	\$ 4,591,765	\$ (6,523,504)

December 31, 2022

Note 7 - Other Postemployment Benefit Plan (Continued)

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

Years Ending December 31	Amount
2023	\$ (916,662)
2024	(517,964)
2025	(156,217)
2026	(177,517)
2027	(81,689)
Thereafter	(81,690)

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.50 percent; an investment rate of return (net of investment expenses) of 6.85 percent; a health care cost trend rate of 7.25 percent for 2022, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2033 and later years; and the PubG-2010 mortality tables with the gender-specific MP-2020 improvement scale. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that the division contributions will be made at rates equal to the actuarially determined contribution rates.

Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

December 31, 2022

Note 7 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB 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 OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

Rates of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was a loss of 10.42 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Division, calculated using the discount rate of 6.85 percent, as well as what the Division's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.85%)	Current Discount Rate (6.85%)	1 Percentage Point Increase (7.85%)
Net OPEB liability of the Plan	\$ 37,597,699	\$ 29,079,566	\$ 22,155,496

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB liability of the Division, calculated using the health care cost trend rate of 7.25 percent, as well as what the Division's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25-3.50%)	Current Health Care Cost Trend Rate (7.25-4.50%)	1 Percentage Point Increase (8.25-5.50%)
Net OPEB liability of the Plan	\$ 21,764,115	\$ 29,079,566	\$ 38,220,171

December 31, 2022

Note 7 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported 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.

Assumption Changes

For the December 31, 2022 actuarial valuation, there were assumption changes that resulted in an increase in the calculated total OPEB liability. The assumptions changed during the year related to the mortality scale, health care cost trend rate, and decrease of discount rate.

Note 8 - Risk Management

The Division 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 Division is partially self-insured for medical, dental, and vision benefits and has purchased commercial insurance for life, disability, workers' compensation, and general liability insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Division estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. The liability is included with accounts payable and other accrued expenses in the statement of net position. Changes in the estimated liability for the past two fiscal years were as follows:

	2022	2021
Unpaid claims - Beginning of year	\$ 193,681	\$ 670,431
Incurred claims, including claims incurred but not reported	4,735,386	3,976,424
Claim payments	(4,552,501)	(4,453,174)
Unpaid claims - End of year	\$ 376,566	\$ 193,681

Note 9 - Related Party Transactions

During fiscal year 2013, the Karegnondi Water Authority was formed. The Authority retained the services of the Division to administer the design and construction of the raw water supply system. In addition, the Authority contracted with the Division for the operation and maintenance of the raw water supply system. The Authority has no employees of its own, with all current and future services expected to be rendered by division employees.

The Division has entered into certain contracts with the Authority as a local unit so as to acquire a supply of raw water. This new raw water supply system began being utilized by the Division in late 2017, at which time the Division ceased purchasing finished water from the Great Lakes Water Authority.

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Financial Statements

December 31, 2022

Note 9 - Related Party Transactions (Continued)

In August 2013, the Division entered into a water purchase contract with the Authority, which provides the Division with 42 MGD of capacity, out of a total authority capacity of 60 MGD. This arrangement in effect means the Division will provide the Authority with 70 percent or more of its total operating revenue over the coming years. In addition, the Division has entered into a financing contract with the Authority, which obligates the Division to pay to the Authority approximately 66 percent of the Authority's debt service. This allocation takes into account and credits the Division for financing and being responsible for the payment of 100 percent of the costs of the intake portion of the project discussed below. A copy of the financing contract can be viewed in the Authority's bonding official statements.

The Division has an installment purchase receivable related to the Division's \$35 million bond issuance in 2013 for construction of an intake facility and two pump stations. Recording of the receivable was a result of modification of a supply contract with KWA in April 2014, effectively stating the Division is to turn over title to the aforementioned facilities to KWA upon redemption of the bonds. Based on contract terms, GASB Statement No. 62, paragraph 213 requires KWA to treat facilities as an installment purchase and record as construction in progress the cost of land and other construction costs previously incurred by the Division. The Division reports an installment purchase receivable, and KWA reports long-term debt.

The agreement qualifies as an installment purchase for accounting purposes and, therefore, has been recorded as a present value of the future minimum installment purchase payments as of the inception date. The future minimum installment purchase obligations (for KWA) and the net present value are as follows:

2023	\$	2,525,688
2024		2,529,437
2025		2,525,187
2026		2,528,187
2027		2,529,675
2028 - 2032		12,632,738
2033 - 2037		12,635,269
2038 - 2041		<u>10,112,648</u>
Total minimum installment purchase payments		48,018,829
Less amount representing interest		<u>(18,788,829)</u>
Present value	\$	<u>29,230,000</u>

Note 10 - Interfund Receivables, Payables, and Transfers

The balance of amounts loaned to (borrowed from) discretely presented component units is as follows:

Receivable	Payable	Amount
Primary government - Genesee County Delinquent Tax Revolving	Component unit - Water and Waste Services	\$ 2,000,000

The amount due to the Genesee County Delinquent Tax Revolving Fund from Water and Waste Services was to acquire and construct improvements to the system, including a new SCADA system; will mature on March 1, 2027; and is paid in yearly principal and interest installments, with an interest rate of 1.50 percent.

Required Supplemental Information

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Required Supplemental Information
Schedule of Changes in the Net Pension Liability and Related Ratios**

Last Eight Fiscal Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 1,676,303	\$ 1,669,276	\$ 1,442,869	\$ 1,574,305	\$ 1,663,146	\$ 1,541,981	\$ 879,564	\$ 792,297
Interest	5,708,924	5,335,071	5,209,790	4,697,036	4,270,786	4,014,166	4,017,471	3,903,244
Changes in benefit terms	665,453	-	-	-	-	-	-	-
Differences between expected and actual experience	(1,526,760)	1,073,176	2,939	513,990	2,589,458	(2,164,986)	(50,724)	(1,552,139)
Changes in assumptions	381,565	1,423,494	4,290,237	(3,731,291)	(5,212,701)	(2,560,324)	12,131,977	1,720,622
Benefit payments, including refunds	(4,260,558)	(4,074,004)	(3,847,561)	(3,782,708)	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	-	-	-	-	205,519	-
Net Change in Total Pension Liability	2,644,927	5,427,013	7,098,274	(728,668)	(275,391)	(2,705,689)	13,708,851	1,433,184
Total Pension Liability - Beginning of year	82,010,038	76,583,025	69,484,751	70,213,419	70,488,810	73,194,499	59,485,648	58,052,464
Total Pension Liability - End of year	\$ 84,654,965	\$ 82,010,038	\$ 76,583,025	\$ 69,484,751	\$ 70,213,419	\$ 70,488,810	\$ 73,194,499	\$ 59,485,648
Plan Fiduciary Net Position								
Contributions - Employer	\$ 2,911,289	\$ 3,161,632	\$ 2,836,790	\$ 2,023,100	\$ 1,751,177	\$ 1,642,376	\$ 1,608,830	\$ 1,434,116
Contributions - Member	780,575	778,926	737,752	784,389	613,544	571,224	573,221	491,212
Net investment income (loss)	8,144,259	4,514,653	8,136,295	(986,785)	5,008,597	3,287,118	519,442	2,799,943
Administrative expenses	(59,753)	(58,483)	(50,862)	(48,930)	(61,061)	(39,153)	(46,313)	(45,417)
Benefit payments, including refunds	(4,260,558)	(4,074,004)	(3,847,561)	(3,782,708)	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	-	-	-	(7,976)	56,737	-
Net Change in Plan Fiduciary Net Position	7,515,812	4,322,724	7,812,414	(2,010,934)	3,726,177	1,917,063	(763,039)	1,249,014
Plan Fiduciary Net Position - Beginning of year	56,780,381	52,457,657	44,645,243	46,656,177	42,930,000	41,012,937	41,775,976	40,526,962
Plan Fiduciary Net Position - End of year	\$ 64,296,193	\$ 56,780,381	\$ 52,457,657	\$ 44,645,243	\$ 46,656,177	\$ 42,930,000	\$ 41,012,937	\$ 41,775,976
Division's Net Pension Liability - Ending	\$ 20,358,772	\$ 25,229,657	\$ 24,125,368	\$ 24,839,508	\$ 23,557,242	\$ 27,558,810	\$ 32,181,562	\$ 17,709,672
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	75.95 %	69.24 %	68.50 %	64.25 %	66.45 %	60.90 %	56.03 %	70.23 %
Covered Payroll	\$ 10,537,158	\$ 10,697,074	\$ 10,259,512	\$ 10,288,609	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806
Division's Net Pension Liability as a Percentage of Covered Payroll	193.21 %	235.86 %	235.15 %	241.43 %	242.12 %	312.16 %	391.90 %	223.90 %

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Required Supplemental Information
Schedule of Pension Contributions**

	Last Ten Fiscal Years Years Ended December 31									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 2,759,682	\$ 2,590,831	\$ 2,604,890	\$ 2,623,595	\$ 1,863,204	\$ 1,430,189	\$ 1,330,325	\$ 1,456,379	\$ 1,491,452	\$ 1,456,416
Contributions in relation to the actuarially determined contribution	2,784,359	2,903,763	3,075,352	2,880,810	2,059,753	1,767,501	1,642,376	1,608,830	1,491,452	1,456,416
Contribution Excess	\$ 24,677	\$ 312,932	\$ 470,462	\$ 257,215	\$ 196,549	\$ 337,312	\$ 312,051	\$ 152,451	\$ -	\$ -
Covered Payroll	\$ 10,537,158	\$ 10,697,074	\$ 10,259,512	\$ 10,288,609	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806	\$ 7,331,367	\$ 7,199,930
Contributions as a Percentage of Covered Payroll	26.42 %	27.15 %	29.98 %	28.00 %	21.17 %	20.02 %	20.00 %	20.34 %	20.34 %	20.23 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Division's fiscal year ended December 31, 2022 were determined based on the actuarial valuation as of December 31, 2020. The most recent valuation is as of December 31, 2021.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	25 years, closed
Asset valuation method	4-year smoothed market
Inflation	3.00 percent
Salary increase	3.00 - 7.03 percent, based on age
Investment rate of return	7.25 percent
Retirement age	60
Mortality	Pub-2010 Mortality Table with generational mortality improvements using Scale MP-2020.
Other information	None

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Required Supplemental Information
Schedule of Changes in the Net OPEB Liability and Related Ratios**

	Last Five Fiscal Years				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 1,136,249	\$ 1,288,077	\$ 2,209,934	\$ 1,842,757	\$ 1,704,537
Interest	3,843,709	4,093,333	3,834,523	3,360,952	3,422,903
Differences between expected and actual experience	(698,114)	(2,751,757)	176,618	1,769,329	(4,016,485)
Changes in assumptions	126,282	(4,393,104)	(117,584)	3,231,351	(297,879)
Benefit payments, including refunds	<u>(1,629,451)</u>	<u>(1,671,413)</u>	<u>(1,303,522)</u>	<u>(1,771,982)</u>	<u>(1,644,402)</u>
Net Change in Total OPEB Liability	2,778,675	(3,434,864)	4,799,969	8,432,407	(831,326)
Total OPEB Liability - Beginning of year	<u>54,574,824</u>	<u>58,009,688</u>	<u>53,209,719</u>	<u>44,777,312</u>	<u>45,608,638</u>
Total OPEB Liability - End of year	<u>\$ 57,353,499</u>	<u>\$ 54,574,824</u>	<u>\$ 58,009,688</u>	<u>\$ 53,209,719</u>	<u>\$ 44,777,312</u>
Plan Fiduciary Net Position					
Contributions - Employer	\$ 2,629,451	\$ 3,171,413	\$ 3,103,522	\$ 3,571,982	\$ 4,081,875
Net investment (loss) income	(3,259,696)	3,648,413	2,986,550	2,334,545	(625,911)
Benefit payments, including refunds	(1,629,451)	(1,671,413)	(1,303,522)	(1,771,982)	(1,644,402)
Administrative expenses	<u>(20,063)</u>	<u>(20,102)</u>	<u>(15,221)</u>	<u>(13,159)</u>	<u>(38,594)</u>
Net Change in Plan Fiduciary Net Position	(2,279,759)	5,128,311	4,771,329	4,121,386	1,772,968
Plan Fiduciary Net Position - Beginning of year	<u>30,553,692</u>	<u>25,425,381</u>	<u>20,654,052</u>	<u>16,532,666</u>	<u>14,759,698</u>
Plan Fiduciary Net Position - End of year	<u>\$ 28,273,933</u>	<u>\$ 30,553,692</u>	<u>\$ 25,425,381</u>	<u>\$ 20,654,052</u>	<u>\$ 16,532,666</u>
Net OPEB Liability - Ending	<u>\$ 29,079,566</u>	<u>\$ 24,021,132</u>	<u>\$ 32,584,307</u>	<u>\$ 32,555,667</u>	<u>\$ 28,244,646</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	49.30 %	55.98 %	43.83 %	38.82 %	36.92 %
Covered-employee Payroll	\$ 11,184,636	\$ 10,891,983	\$ 10,436,899	\$ 10,568,064	\$ 10,167,151
Net OPEB Liability as a Percentage of Covered-employee Payroll	260.00 %	220.54 %	312.20 %	308.06 %	277.80 %

**Genesee County Drain Commissioner
 Division of Water and Waste Services**

**Required Supplemental Information
 Schedule of OPEB Investment Returns**

	Last Five Fiscal Years Years Ended December 31				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	(10.42)%	14.09 %	13.29 %	13.52 %	(3.62)%

**Genesee County Drain Commissioner
Division of Water and Waste Services**

Notes to Required Supplemental Information

December 31, 2022

Pension Information

Changes in Assumptions

In 2022, assumptions changed related to the mortality tables utilized and assumed salary increases, resulting in an increase in the total pension liability.

In 2021, assumptions changed related to the mortality tables utilized, resulting in an increase in the total pension liability.

In 2020, assumptions changed related to the discount rate, investment rate of return, and mortality tables, resulting in an increase in the total pension liability.

In 2019, assumptions changed related to the discount rate, investment rate of return, and mortality tables, resulting in an increase in the total pension liability.

In 2018, 2017, and 2016, assumptions changed related to the discount rate, resulting in a decrease or increase in the total pension liability.

In 2015, mortality tables were adjusted to reflect longer lifetimes, and the discount rate was lowered, resulting in an increase in the total pension liability.

OPEB Information

Changes in Assumptions

In 2022, there were assumption changes related to medical trend rate and mortality tables utilized and discount rate, which resulted in an increase to the total OPEB liability.

In 2021, there were assumption changes related to medical trend rate and mortality tables utilized, which resulted in a decrease to the total OPEB liability.

In 2020, there were assumption changes related to the mortality table and health care cost trend rate that resulted in a decrease in the calculated total OPEB liability.

In 2019, there were assumption changes related to the mortality table, discount rate, and long-term rate of return that resulted in an increase in the calculated total OPEB liability.

In 2018, there were assumption changes related to the mortality table that resulted in a decrease in the calculated total OPEB liability.

Other Supplemental Information

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Other Supplemental Information
Combining Statement of Net Position
Enterprise Fund Divisional Detail**

**December 31, 2022
(with comparative totals for 2021)**

	2022				Total	2021
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems		
Assets						
Current assets:						
Cash and cash equivalents	\$ 12,250,446	\$ 4,762,556	\$ 471,992	\$ 6,580,334	\$ 24,065,328	\$ 15,302,209
Receivables:						
Receivables from sales to customers on account	6,929,894	1,101,423	417,026	6,126,916	14,575,259	16,235,956
Due from other governments	115,124	262,931	-	4,085,305	4,463,360	1,091,712
Current portion of installment purchase receivable	-	-	-	1,225,000	1,225,000	1,165,000
Prepaid expenses and other assets	292,049	36,308	6,084	749,374	1,083,815	859,528
Total current assets	19,587,513	6,163,218	895,102	18,766,929	45,412,762	34,654,405
Noncurrent assets:						
Restricted assets	24,502,167	503,107	-	9,994,657	34,999,931	24,456,691
Installment purchase receivable - Net of current portion	-	-	-	29,203,572	29,203,572	30,428,572
Due from other governmental units	-	-	-	5,258,648	5,258,648	5,258,648
Local unit construction in progress	-	-	-	-	-	76,607
Capital assets - Net	192,828,804	22,226,967	295,659	187,715,096	403,066,526	402,765,534
Total noncurrent assets	217,330,971	22,730,074	295,659	232,171,973	472,528,677	462,986,052
Total assets	236,918,484	28,893,292	1,190,761	250,938,902	517,941,439	497,640,457
Deferred Outflows of Resources						
Bond refunding loss being amortized	153,339	3,459	-	6,976	163,774	169,036
Deferred outflows related to pensions	4,130,329	840,338	208,753	2,720,938	7,900,358	10,672,308
Deferred OPEB costs	2,295,195	417,892	69,801	1,808,877	4,591,765	2,818,830
Total deferred outflows of resources	6,578,863	1,261,689	278,554	4,536,791	12,655,897	13,660,174
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	2,066,562	262,523	29,364	2,688,666	5,047,115	3,753,691
Advance from primary government - Current	400,000	-	-	-	400,000	-
Current portion of long-term debt	120,232	-	-	1,275,940	1,396,172	1,332,241
Total current liabilities	2,586,794	262,523	29,364	3,964,606	6,843,287	5,085,932
Noncurrent liabilities:						
Advance from primary government - Noncurrent	1,600,000	-	-	-	1,600,000	-
Payable from restricted assets	8,271,436	460,597	-	6,133,714	14,865,747	14,583,997
Unearned lease	-	-	-	-	-	462,000
Net pension liability	10,651,710	2,170,245	531,364	7,005,453	20,358,772	25,229,657
Net OPEB liability	14,535,421	2,646,505	442,053	11,455,587	29,079,566	24,021,132
Long-term debt - Net of current portion	56,714,125	2,145,000	-	173,225,446	232,084,571	233,058,081
Total noncurrent liabilities	91,772,692	7,422,347	973,417	197,820,200	297,988,656	297,354,867
Total liabilities	94,359,486	7,684,870	1,002,781	201,784,806	304,831,943	302,440,799
Deferred Inflows of Resources						
Deferred pension cost reductions	4,947,521	1,006,837	249,517	3,258,390	9,462,265	7,714,532
Deferred OPEB cost reductions	3,260,774	593,698	99,166	2,569,866	6,523,504	10,163,582
Total deferred inflows of resources	8,208,295	1,600,535	348,683	5,828,256	15,985,769	17,878,114
Net Position						
Net investment in capital assets	147,653,214	20,085,426	295,659	44,283,790	212,318,089	205,832,522
Restricted - Debt service	2,826,043	42,510	-	3,760,943	6,629,496	4,873,947
Unrestricted	(9,549,691)	741,640	(177,808)	(182,102)	(9,167,961)	(19,724,751)
Total net position	\$ 140,929,566	\$ 20,869,576	\$ 117,851	\$ 47,862,631	\$ 209,779,624	\$ 190,981,718

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Other Supplemental Information
Combining Statement of Revenue, Expenses, and Changes in Net Position
Enterprise Fund Divisional Detail**

**Year Ended December 31, 2022
(with comparative totals for 2021)**

	2022				Total	2021
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems		
Operating Revenue						
Sale of water	\$ -	\$ -	\$ -	\$ 45,183,308	\$ 45,183,308	\$ 42,277,837
Sewage disposal charges	30,858,210	5,803,258	1,132,824	-	37,794,292	32,321,599
Billing services	146,631	-	-	-	146,631	145,074
Water meter sales	-	-	-	237,825	237,825	169,005
Sewer and pumping station - Operation and maintenance	1,502,378	-	-	-	1,502,378	1,477,487
Other operating revenue	679,461	238,409	8,631	894,936	1,821,437	1,727,386
Operating revenue - Federal grants	183,512	34,550	9,343	121,845	349,250	-
Total operating revenue	33,370,192	6,076,217	1,150,798	46,437,914	87,035,121	78,118,388
Operating Expenses						
Cost of water	-	-	-	17,409,244	17,409,244	17,443,870
Sludge disposal service	1,492,372	521,466	5	196,982	2,210,825	1,562,738
Cost of insurance claims and expenses	361,082	96,474	19,472	569,027	1,046,055	954,955
Repairs and maintenance	1,903,750	471,836	101,934	1,521,092	3,998,612	3,329,314
Other supplies and expenses	1,236,104	98,133	48,979	1,394,128	2,777,344	2,124,557
Contractual services	508,265	91,939	7,106	688,551	1,295,861	1,642,349
Utilities	2,746,387	420,211	225,478	1,258,397	4,650,473	4,567,389
Personnel services	11,515,010	2,140,981	234,354	8,374,123	22,264,468	20,826,611
Depreciation	6,050,659	874,843	28,741	5,181,841	12,136,084	12,007,806
Total operating expenses	25,813,629	4,715,883	666,069	36,593,385	67,788,966	64,459,589
Operating Income	7,556,563	1,360,334	484,729	9,844,529	19,246,155	13,658,799
Nonoperating Revenue (Expense)						
Investment income - Net	539,796	82,183	9,023	237,400	868,402	71,443
Community bond interest income	-	-	-	1,476,569	1,476,569	1,530,276
Community bond interest expense	-	-	-	(1,476,569)	(1,476,569)	(1,530,276)
Miscellaneous income	350,500	-	-	424,201	774,701	1,159,639
Interest and fiscal charges	(1,828,450)	(62,553)	-	(5,780,903)	(7,671,906)	(7,480,668)
Nonoperating revenue - Federal grant	-	109,749	-	4,676,668	4,786,417	-
Nonoperating expense - Community construction projects	-	(288,790)	-	(57,000)	(345,790)	-
Total nonoperating (expense) revenue	(938,154)	(159,411)	9,023	(499,634)	(1,588,176)	(6,249,586)
Income - Before capital contributions	6,618,409	1,200,923	493,752	9,344,895	17,657,979	7,409,213
Capital Contributions	259,298	153,182	-	727,447	1,139,927	2,011,133
Change in Net Position	6,877,707	1,354,105	493,752	10,072,342	18,797,906	9,420,346
Net Position (Deficit) - Beginning of year	134,051,859	19,515,471	(375,901)	37,790,289	190,981,718	181,561,372
Net Position - End of year	<u>\$ 140,929,566</u>	<u>\$ 20,869,576</u>	<u>\$ 117,851</u>	<u>\$ 47,862,631</u>	<u>\$ 209,779,624</u>	<u>\$ 190,981,718</u>

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Other Supplemental Information
Combining Statement of Cash Flows
Enterprise Fund Divisional Detail**

**Year Ended December 31, 2022
(with comparative totals for 2021)**

	2022					2021
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Cash Flows from Operating Activities						
Receipts from customers	\$ 33,747,719	\$ 5,942,761	\$ 970,155	\$ 48,015,470	\$ 88,676,105	\$ 77,882,089
Payments to suppliers and others for goods and services	(8,095,118)	(1,699,278)	(413,837)	(23,555,031)	(33,763,264)	(32,313,823)
Payments for salaries and employee benefits	(11,673,278)	(2,295,987)	(536,420)	(8,290,772)	(22,796,457)	(22,044,338)
Net cash and cash equivalents provided by operating activities	13,979,323	1,947,496	19,898	16,169,667	32,116,384	23,523,928
Cash Flows from Capital and Related Financing Activities						
Other debt financing activities	(321,889)	(750)	-	(2,052)	(324,691)	(4,103)
Collection of installment purchase receivable from communities	-	-	-	90,000	90,000	90,000
Collection of interest from communities	-	-	-	31,651	31,651	33,902
Principal and interest paid on community debt	-	-	-	(121,651)	(121,651)	(123,902)
Collection of installment purchase receivable from KWA	-	-	-	1,075,000	1,075,000	1,020,000
Collection of interest from KWA	-	-	-	1,454,438	1,454,438	1,505,437
Principal paid on bond and note maturities	(6,272,472)	(440,000)	-	(4,819,769)	(11,532,241)	(11,194,232)
Interest paid on bonds and notes	(1,679,171)	(62,828)	-	(7,654,193)	(9,396,192)	(9,499,267)
Proceeds from issuance of debt	14,665,789	-	-	-	14,665,789	512,644
Advance from primary government	2,000,000	-	-	-	2,000,000	-
Refunded debt - Amounts paid to escrow agent	(3,148,606)	-	-	-	(3,148,606)	-
Purchase of capital assets	(5,644,493)	(41,503)	(662)	(5,807,387)	(11,494,045)	(9,086,396)
Miscellaneous revenue	359,363	-	-	435,050	794,413	1,180,336
Federal grant contribution	-	-	-	1,352,906	1,352,906	-
Capital contributions from communities	110,000	-	-	1,048,096	1,158,096	1,474,364
Community construction project expense	-	(252,894)	-	(30,400)	(283,294)	-
Net cash and cash equivalents provided by (used in) capital and related financing activities	68,521	(797,975)	(662)	(12,948,311)	(13,678,427)	(24,091,217)
Cash Flows Provided by Investing Activities - Investment income	539,796	82,183	9,023	237,400	868,402	71,443
Net Increase (Decrease) in Cash and Cash Equivalents	14,587,640	1,231,704	28,259	3,458,756	19,306,359	(495,846)
Cash and Cash Equivalents - Beginning of year	22,164,973	4,033,959	443,733	13,116,235	39,758,900	40,254,746
Cash and Cash Equivalents - End of year	\$ 36,752,613	\$ 5,265,663	\$ 471,992	\$ 16,574,991	\$ 59,065,259	\$ 39,758,900
Classification of Cash and Cash Equivalents						
Cash and investments	\$ 12,250,446	\$ 4,762,556	\$ 471,992	\$ 6,580,334	\$ 24,065,328	\$ 15,302,209
Restricted cash	24,502,167	503,107	-	9,994,657	34,999,931	24,456,691
Total cash and cash equivalents	\$ 36,752,613	\$ 5,265,663	\$ 471,992	\$ 16,574,991	\$ 59,065,259	\$ 39,758,900

**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Other Supplemental Information
Combining Statement of Cash Flows (Continued)
Enterprise Fund Divisional Detail**

**Year Ended December 31, 2022
(with comparative totals for 2021)**

	2022					2021
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating income	\$ 7,556,563	\$ 1,360,334	\$ 484,729	\$ 9,844,529	\$ 19,246,155	\$ 13,658,799
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation	6,050,659	874,843	28,741	5,181,841	12,136,084	12,007,806
Changes in assets and liabilities:						
Receivables	377,527	(133,456)	(180,643)	1,577,556	1,640,984	(800,647)
Prepaid and other assets	(107,429)	(22,928)	(5,484)	(72,519)	(208,360)	551,350
Net pension and OPEB liability	(238,552)	(165,540)	(303,371)	1,683	(705,780)	(1,268,985)
Accounts payable and accrued expense	340,555	34,243	(4,074)	(363,423)	7,301	(624,395)
Total adjustments	6,422,760	587,162	(464,831)	6,325,138	12,870,229	9,865,129
Net cash and cash equivalents provided by operating activities	\$ 13,979,323	\$ 1,947,496	\$ 19,898	\$ 16,169,667	\$ 32,116,384	\$ 23,523,928
Significant Noncash Transactions - Capital contributions	\$ 34,174	\$ -	\$ -	\$ -	\$ 34,174	\$ 157,516

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2022	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2022	2023		2024	
					Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
<u>Genesee County Drain Commissioner</u>								
<u>Bonds Payable:</u>								
Series 2005A \$22,180,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Northeast Extension Sewer project. Fully drawn May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with an interest rate of 1.625%	6,225,000	-	(1,205,000)	5,020,000	1,225,000	81,575	1,245,000	61,669
Series 2005B \$15,505,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee for Division project. Fully drawn May 2007. Due in amounts ranging from \$660,000 to \$900,000 through 2026 with an interest rate of 1.625%	4,360,000	-	(845,000)	3,515,000	860,000	50,131	870,000	36,075
Series 2006A \$2,815,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn October 2007. Due in amounts ranging from \$120,000 to \$165,000 through 2027 with an interest rate of 1.625%	945,000	-	(150,000)	795,000	155,000	12,919	155,000	10,400
Series 2006B \$7,705,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with an interest rate of 1.625%	2,575,000	-	(410,000)	2,165,000	420,000	35,181	425,000	28,356
Series 2006C \$4,335,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with an interest rate of 1.625%	1,450,000	-	(230,000)	1,220,000	235,000	19,825	240,000	16,006
Series 2007 \$10,500,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in December 2010. Due in amounts ranging from \$450,000 to \$610,000 through 2028 with an interest rate of 1.625%	4,065,000	-	(555,000)	3,510,000	560,000	52,488	570,000	43,306

Summary of Bonds Payable Year Ended December 31, 2022

2025		2026		2027		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,265,000	41,438	1,285,000	20,881	-	-	-	-	5,020,000	205,563
885,000	21,816	900,000	7,313	-	-	-	-	3,515,000	115,335
160,000	7,881	160,000	5,281	165,000	2,681	-	-	795,000	39,162
435,000	21,450	440,000	14,381	445,000	7,231	-	-	2,165,000	106,599
245,000	12,106	250,000	8,125	250,000	4,063	-	-	1,220,000	60,125
580,000	33,963	590,000	24,456	600,000	14,788	610,000	4,956	3,510,000	173,957

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2022	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2022	2023	2024	2025	2026
Series 2010A \$14,010,023 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Pump Station #1, ARTP Blower Revamp, and ARTP Clarifiers. Fully drawn May 2013. Due in amounts ranging from \$569,000 to \$861,023 through 2030 with an interest rate of 2.50%	7,106,023	-	(710,000)	6,396,023	745,000	159,901	745,000	141,276
Series 2011A \$1,445,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for ARTP Switchgears. Fully drawn in October 2012. Due in amounts ranging from \$55,000 to \$90,000 through 2031 with an interest rate of 2.50%	815,000	-	(75,000)	740,000	75,000	18,500	75,000	16,625
Series 2011B \$4,825,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for NEES 3E. Due serially and term in amounts ranging from \$180,000 to \$405,000 through 2031 with interest rates from 3.00% to 5.00%	3,410,000	-	(3,410,000)	-	-	-	-	-
Refunding Series 2017 \$15,890,000 Revenue Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Refunded 2007B, \$8,000,000 and 2009A, \$15,000,000 for the Northeast Extension Sewer Project bonds. Due in amounts ranging from \$545,000 to \$1,575,000 through 2029 with an interest rate of 2.09%	11,415,000	-	(1,380,000)	10,035,000	1,425,000	209,732	1,465,000	179,949
Series 2020A \$13,800,000 Revenue Bonds. Bond proceeds used for acquiring and constructing improvements to the Sewage Disposal System (Interceptors and Treatment Facilities). Due serially in amounts ranging from \$275,000 to \$1,185,000 through 2040 with interest rates from 3.00% to 5.00%	13,525,000	-	(305,000)	13,220,000	290,000	540,600	320,000	531,450
Series 2022 \$13,150,000 Revenue and Revenue Refunding Bonds. Bond proceeds used for acquiring and constructing improvements to the Sewage Disposal System (Interceptors and Treatment Facilities) and refunding all or a portion of Series 2011B. Due serially in amounts ranging from \$240,000 to \$1,055,000 through 2042 with an interest rate of 5.00%	-	13,150,000	-	13,150,000	240,000	651,500	245,000	639,375
Installment Purchase Agreement \$359,939.32 Note collateral is a 2021 Vactor. Due annually in amounts ranging from \$117,471.68 to \$122,235.37 through 2023 with an interest rate of 2.35% per annum	237,704	-	(117,472)	120,232	120,232	2,825	-	-
Series 2022B \$25,955,000 State Revolving Fund Program Revenue Bond backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for new Anaerobic Digestion Solids Handling Facilities at ARTP. No draws made in 2022. Interest rate of 1.875%	-	-	-	-	-	-	-	-
Total Interceptor and Treatment Facilities Bonds Payable	<u>56,128,727</u>	<u>13,150,000</u>	<u>(9,392,472)</u>	<u>59,886,255</u>	<u>6,350,232</u>	<u>1,835,177</u>	<u>6,355,000</u>	<u>1,704,487</u>

Summary of Bonds Payable (Continued)
Year Ended December 31, 2022

	2025		2026		2027		Later		Total	
	785,000	122,651	785,000	103,026	800,000	83,401	2,536,023	127,703	6,396,023	737,958
	80,000	14,750	80,000	12,750	80,000	10,750	350,000	22,125	740,000	95,500
	-	-	-	-	-	-	-	-	-	-
	1,475,000	149,331	1,510,000	118,503	1,545,000	86,944	2,615,000	76,390	10,035,000	820,848
	310,000	518,900	340,000	502,650	500,000	481,650	11,460,000	3,414,275	13,220,000	5,989,525
	270,000	626,500	290,000	612,500	505,000	592,625	11,600,000	4,856,000	13,150,000	7,978,500
	-	-	-	-	-	-	-	-	120,232	2,825
	-	-	-	-	-	-	-	-	-	-
	<u>6,490,000</u>	<u>1,570,786</u>	<u>6,630,000</u>	<u>1,429,866</u>	<u>4,890,000</u>	<u>1,284,133</u>	<u>29,171,023</u>	<u>8,501,449</u>	<u>59,886,255</u>	<u>16,325,897</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2022	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2022	2023		2024	
					Principal	Interest	Principal	Interest
District No. 3								
Genesee County Drain Commissioner Bonds								
Payable:								
Series 2010A \$1,089,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for District #3 Digester Phase I. Fully drawn in September 2011. Due in amounts ranging from \$44,000 to \$70,000 through 2030 with an interest rate of 2.50%								
	555,000	-	(55,000)	500,000	55,000	12,500	60,000	11,125
Refunding Series 2017 \$3,905,000 Revenue Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Refunded 2007 for the Treatment Plant Improvement project. Due in amounts ranging from \$335,000 to \$435,000 through 2027 with an interest rate of 2.14%								
	2,480,000	-	(385,000)	2,095,000	395,000	40,607	410,000	31,993
Total District No.3 Bonds Payable	3,035,000	-	(440,000)	2,595,000	450,000	53,107	470,000	43,118

Summary of Bonds Payable (Continued)
Year Ended December 31, 2022

2025		2026		2027		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
60,000	9,625	60,000	8,125	65,000	6,625	200,000	10,125	500,000	58,125
425,000	23,059	430,000	13,910	435,000	4,655	-	-	2,095,000	114,223
485,000	32,684	490,000	22,035	500,000	11,280	200,000	10,125	2,595,000	172,348

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding		Retired During the Year	Principal Outstanding		2023		2024	
	January 1, 2022	Issued During the Year		December 31, 2022	Principal	Interest	Principal	Interest	
	Water Supply Systems								
<u>Genesee County Drain Commissioner Bonds Payable:</u>									
Series 2013 \$35,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Lake Huron Initiative project. Due serially and term in various amounts ranging from \$670,000 to \$2,400,000 through 2038 with interest rates from 2.00% to 5.375%	27,980,000	-	(1,075,000)	26,905,000	1,125,000	1,400,688	1,185,000	1,344,438	
Series 2014 \$30,285,000 Revenue Refunding Bonds backed by the full faith and credit of the County of Genesee. Due serially in various amounts ranging from \$1,210,000 to \$2,130,000 through 2034 with interest rates from 3.00% to 5.00%	20,750,000	-	(1,640,000)	19,110,000	1,735,000	807,038	1,825,000	720,288	
Series 2015 \$60,000,000 Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant. Due serially in amounts ranging from \$605,000 to \$2,490,000 through 2035 with interest rates from 5.00% to 3.625% and in term amounts of \$15,880,000 and \$22,320,000 with interest of 5.25% and 4.00% in 2040 and 2045 respectively	57,395,000	-	(740,000)	56,655,000	770,000	2,482,319	775,000	2,443,694	
Series 2016A \$4,943,354 Drinking Water Revolving Fund Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water meter upgrade project. Due in amounts ranging from \$220,000 to \$355,000 through 2038 with an interest rate of 2.50%.	4,303,354	-	(200,000)	4,103,354	205,000	100,021	210,000	94,834	
Series 2016B \$56,895,000 Revenue and Revenue Refunding Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant and refunding Series 2007. Due serially in amounts ranging from \$145,000 to \$2,425,000 through 2036 with interest rates from 5.00% to 3.125% and in term amounts of \$14,825,000 and \$19,515,000 with interest of 4.00% and 5.00% in 2041 and 2046 respectively	54,290,000	-	(670,000)	53,620,000	700,000	2,386,281	765,000	2,349,656	
Series 2017A \$10,500,000 Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water transmission main from Henderson Road to Genesee Road (Potter Road Southeast Loop Extension). Due serially in amounts ranging from \$360,000 to \$695,000 through 2037 with interest rates from .90% to 3.65%	8,835,000	-	(445,000)	8,390,000	455,000	253,999	465,000	244,104	
Installment Purchase Agreement \$152,704.80 Note collateral is a 2021 John Deere Excavator, Model 135G. Due annually in amounts ranging from \$49,769.38 to \$51,996.46 through 2023 with an interest rate of 2.35% per annum	100,709	-	(49,769)	50,940	50,940	1,197	-	-	
Total Water Supply System Bonds Payable	173,654,063	-	(4,819,769)	168,834,294	5,040,940	7,431,543	5,225,000	7,197,014	

Summary of Bonds Payable (Continued) Year Ended December 31, 2022

2025		2026		2027		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,240,000	1,285,188	1,305,000	1,223,188	1,375,000	1,154,675	20,675,000	7,122,006	26,905,000	13,530,181
1,925,000	629,038	1,990,000	532,788	2,025,000	460,650	9,610,000	1,189,156	19,110,000	4,338,956
775,000	2,404,944	810,000	2,365,319	870,000	2,323,319	52,655,000	24,564,859	56,655,000	36,584,453
220,000	89,459	225,000	83,896	230,000	78,209	3,013,354	435,556	4,103,354	881,975
840,000	2,309,531	910,000	2,265,781	980,000	2,218,531	49,425,000	26,122,309	53,620,000	37,652,091
475,000	233,054	490,000	220,865	505,000	207,551	6,000,000	1,100,246	8,390,000	2,259,819
-	-	-	-	-	-	-	-	50,940	1,197
<u>5,475,000</u>	<u>6,951,214</u>	<u>5,730,000</u>	<u>6,691,837</u>	<u>5,985,000</u>	<u>6,442,935</u>	<u>141,378,354</u>	<u>60,534,132</u>	<u>168,834,294</u>	<u>95,248,672</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding			Principal Outstanding December 31, 2022	2023		2024	
	January 1, 2022	Issued During the Year	Retired During the Year		Principal	Interest	Principal	Interest
Water Supply Systems								
Community-related Bonds Payable:								
Series 2011 \$933,515 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Fenton Road Watermain - Bristol to Maple. Fully drawn in July 2012. Due in amounts ranging from \$34,250 to \$59,265 through 2031 with an interest rate of 2.50%	519,265	-	(45,000)	474,265	50,000	11,232	50,000	9,982
Series 2015 \$1,050,000 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Dalton Subdivision Watermain Replacement. Will be fully drawn in 2017. Due serially in amounts ranging from \$50,000 to \$80,000 through 2035 with an interest rate of 2.50%	769,307	-	(45,000)	724,307	50,000	18,108	50,000	16,858
Total Community-related bonds payable	1,288,572	-	(90,000)	1,198,572	100,000	29,340	100,000	26,840
Total Water Supply Systems bonds payable	174,942,635	-	(4,909,769)	170,032,866	5,140,940	7,460,883	5,325,000	7,223,854
Total Genesee County Drain Commission bonds payable	232,817,790	13,150,000	(14,652,241)	231,315,549	11,841,172	9,319,827	12,050,000	8,944,619
Total Community-related bonds payable	1,288,572	-	(90,000)	1,198,572	100,000	29,340	100,000	26,840
Total - All bonds payable	234,106,362	13,150,000	(14,742,241)	232,514,121	11,941,172	9,349,167	12,150,000	8,971,459

Summary of Bonds Payable (Continued)
Year Ended December 31, 2022

2025		2026		2027		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
50,000	8,732	50,000	7,482	50,000	6,232	224,265	11,373	474,265	55,031
50,000	15,608	50,000	14,358	55,000	13,108	469,307	54,111	724,307	132,150
100,000	24,340	100,000	21,840	105,000	19,340	693,572	65,484	1,198,572	187,181
<u>5,575,000</u>	<u>6,975,554</u>	<u>5,830,000</u>	<u>6,713,677</u>	<u>6,090,000</u>	<u>6,462,275</u>	<u>142,071,926</u>	<u>60,599,616</u>	<u>170,032,866</u>	<u>95,435,853</u>
12,450,000	8,554,684	12,850,000	8,143,738	11,375,000	7,738,348	170,749,377	69,045,706	231,315,549	111,746,917
100,000	24,340	100,000	21,840	105,000	19,340	693,572	65,484	1,198,572	187,181
<u>12,550,000</u>	<u>8,579,024</u>	<u>12,950,000</u>	<u>8,165,578</u>	<u>11,480,000</u>	<u>7,757,688</u>	<u>171,442,949</u>	<u>69,111,190</u>	<u>232,514,121</u>	<u>111,934,098</u>