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

**Financial Report
with Supplemental Information
December 31, 2018**

Genesee County Drain Commissioner Division of Water and Waste Services

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Independent Auditor's Report

To the Board of Directors
Genesee County Drain Commissioner
Division of Water and Waste Services

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund, Internal Service Fund, business-type activities, and discretely presented component unit of Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County, Michigan (the "Division"), as of and for the year ended December 31, 2018 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, Internal Service Fund, business-type activities, and discretely presented component unit of Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2018 and the respective changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, during the year ended December 31, 2018, the Division adopted the new accounting guidance of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes accounting and financial reporting standards for postemployment benefits other than pensions provided to the employees of state and local governments. Our opinion is not modified with respect to this matter.

To the Board of Directors
Genesee County Drain Commissioner
Division of Water and Waste Services

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, schedule of changes in the net OPEB liability and related ratios, and schedule of OPEB contributions, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 Genesee County Drain Commissioner Division of Water and Waste Services' December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2018. In our opinion, the summarized comparative information presented in the other supplemental information as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Plante & Moran, PLLC". The signature is fluid and cursive, with "Plante & Moran" on the top line and "PLLC" on the bottom line.

June 11, 2019

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 Interceptor and Treatment, Water, District No. 3, and District No. 7, 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 both the sanitary sewer operation and the water department operation 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: safety, human resources, finance, permits, soil erosion, construction, inspection, 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 O&M 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 bills, 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 plants 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.

Water Treatment Plant – The new 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 completed 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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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 2018 by applying 5,068 dry tons of stabilized biosolids on approximately 2,500 acres of approved fields. In 2018, District No. 3 applied 1,450 dry tons of stabilized biosolids on approximately 1,200 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 1,200 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.

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/offs at the request of its communities, 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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Rate Structure

During 2018, the Division maintained water rates at prior year levels. Previously approved sewer rate increases for Districts 3 and 7 took effect in January 2014, while the last ARTP sewer rate increase took effect in July 2014.

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
	2018	2017		
Assets				
Current assets	\$ 32,455,341	\$ 40,144,611	\$ (7,689,270)	(19.2) %
Restricted assets	10,798,405	8,711,763	2,086,642	24.0
Noncurrent lease receivable and local unit construction	39,397,665	41,932,220	(2,534,555)	(6.0)
Capital assets	<u>418,567,715</u>	<u>423,320,230</u>	<u>(4,752,515)</u>	(1.1)
Total assets	501,219,126	514,108,824	(12,889,698)	(2.5)
Deferred Outflows of Resources	13,404,349	12,046,873	1,357,476	11.3
Liabilities				
Current liabilities	9,522,298	17,973,294	(8,450,996)	(47.0)
Liabilities payable from restricted assets	10,568,149	5,742,496	4,825,653	84.0
Other noncurrent liabilities	51,801,888	32,706,663	19,095,225	58.4
Long-term debt	<u>251,522,094</u>	<u>263,872,854</u>	<u>(12,350,760)</u>	(4.7)
Total liabilities	323,414,429	320,295,307	3,119,122	1.0
Deferred Inflows of Resources	<u>13,757,800</u>	<u>4,922,909</u>	<u>8,834,891</u>	
Net Position				
Net investment in capital assets	200,013,972	194,451,431	5,562,541	2.9
Restricted	73,273	75,911	(2,638)	-
Unrestricted	<u>(22,635,999)</u>	<u>6,410,139</u>	<u>(29,046,138)</u>	(453.1)
Total net position	<u>\$ 177,451,246</u>	<u>\$ 200,937,481</u>	<u>\$ (23,486,235)</u>	(11.7)

	Year Ended December 31		Increase (Decrease)	Percent Change
	2018	2017		
Revenue from operations				
Revenue from operations	\$ 75,544,034	\$ 71,973,058	\$ 3,570,976	5.0 %
Gain on sale of assets	-	-	-	-
Interest on operating cash and receivables	103,693	15,555	88,138	566.6
Total revenue	75,647,727	71,988,613	3,659,114	5.1
Sludge disposal charges	1,260,396	1,184,904	75,492	6.4
Cost of water	19,745,531	26,059,047	(6,313,516)	(24.2)
Operating and maintenance expense	31,521,400	31,665,573	(144,173)	(0.5)
Administrative and depreciation expense	14,547,153	10,831,021	3,716,132	34.3
Total operating expenses	67,074,480	69,740,545	(2,666,065)	(3.8)
Other nonoperating expense	<u>(6,358,393)</u>	<u>(2,379,053)</u>	<u>(3,979,340)</u>	167.3
Change in net position - Before capital contributions	2,214,854	(130,985)	2,345,839	(1790.9)
Capital contributions	-	7,500,000	(7,500,000)	
Special Items - Sale of pipeline	-	<u>(3,512,974)</u>	<u>3,512,974</u>	
Change in net position	2,214,854	3,856,041	(1,641,187)	(42.6)
Net Position - Beginning of year, as restated (Note 1)	<u>175,236,392</u>	<u>197,081,440</u>	<u>(21,845,048)</u>	(11.1)
Net Position - End of year	<u>\$ 177,451,246</u>	<u>\$ 200,937,481</u>	<u>\$ (23,486,235)</u>	(11.7)

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Major Capital Assets and Debt Activity

The majority of the Water Treatment Plant construction project was completed in late 2017, with a small amount of work and invoices to be completed by contractors during 2018 and 2019. No new or refinancing debt was issued during 2018.

The Division pays for annual debt service through the operating rates charged to users of the system, restricted County Capital Improvement Fees (CCIF) and lease receivables from other governmental entities. CCIF is intended to cover certain outstanding bond issuances and is not sufficient on an annual basis to cover the debt service; it 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 restore the fund in full.

Financial Review

Highlights of significant financial activity during 2018 include:

Statement of Net Position

- Current assets decreased approximately \$7.7M to approximately \$32.5M.
- Current liabilities also decreased by approximately \$8.5M to approximately \$9.5M.
- Combined unrestricted net position decreased substantially to end at approximately a negative \$22.6M. Of this \$29.0M decrease, approximately \$25.7M was attributable to restating our OPEB liability in accordance with the adoption of GASB Statement No. 75.

Statement of Revenue, Expenses, and Changes in Net Position

- Operating revenue increased by approximately \$3.6M (5.0 percent) in 2018, primarily due to previously enacted water rate increases.
- Operating expenses decreased by 3.8 percent. The cost of water decreased by \$6.4M in 2018 once the Division was no longer making both water purchases from the Great Lakes Water Authority along with making fixed capacity fee payments to the Karegnondi Water Authority (KWA). As stated last year, we expect to see a stabilization of water costs as the Division realizes the expenses associated with only treating the raw water source from the KWA.

Indeed, 2018 was the first full year in which the Division purchased raw, or untreated water from a single supplier, the KWA. This was also the first year that we depreciated the new Water Treatment Plant. As such, depreciation recognized in our Water Supply System increased from \$1.9M in 2017 to \$5.3M in 2018.

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

Management's Discussion and Analysis (Continued)

- Also as expected, utility costs increased approximately 8.3 percent in 2018, primarily due to operating the new water treatment plant continuously for a full year.
- Repairs and maintenance expenditures decreased by approximately \$800,000, while general contractual services increased by \$310,000 vs 2017.
- Personnel expenses increased by \$480,000 partially due to continued staffing increases at the new water treatment plant, plus increases for pension and OPEB funding.

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>2018</u>	<u>2017</u>
Total revenue from I&T customers	\$ 25,374,288	\$ 25,698,724
Total flow (thousands of gallons)	10,652,000	10,500,000
Revenue per thousands of gallons treated	\$ 2.38	\$ 2.45

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:

	Year Ended December 31	
	2018	2017
Total revenue from water sales	\$ 41,043,828	\$ 37,325,292
Volume of water purchased (cu. ft.) by Division	626,620,880	558,006,971
Volume of water sold (cu. ft.) by Division	544,156,629	535,602,445
Water efficiency rate	87%	96%
Revenue per 100 cu. ft. of water sold	\$ 7.54	\$ 6.97

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, 2018

	Primary Government			Component Unit - September 30, 2018
	Enterprise Fund	Internal Service Fund	Total	Karegnondi Water Authority
Assets				
Current assets:				
Cash and investments (Note 2)	\$ 15,210,315	\$ -	\$ 15,210,315	\$ 7,766,606
Receivables:				
Receivables from sales to customers on account	14,010,356	-	14,010,356	-
Accrued interest receivable	-	-	-	29,677
Due from other governments	297,344	-	297,344	310,198
Current portion of leases receivable (Note 9)	2,245,000	-	2,245,000	-
Prepaid expenses and other assets	692,326	-	692,326	-
Total current assets	32,455,341	-	32,455,341	8,106,481
Noncurrent assets:				
Restricted assets (Notes 1 and 3)	10,798,405	-	10,798,405	36,284,709
Leases receivable - Net of current portion (Note 9)	33,768,572	-	33,768,572	-
Due from other governmental units	5,258,648	-	5,258,648	-
Local unit construction in progress	370,445	-	370,445	-
Capital assets: (Note 4)				
Assets not subject to depreciation	3,598,868	-	3,598,868	-
Assets subject to depreciation - Net	413,570,888	1,397,959	414,968,847	326,178,422
Total noncurrent assets	467,365,826	1,397,959	468,763,785	362,463,131
Total assets	499,821,167	1,397,959	501,219,126	370,569,612
Deferred Outflows of Resources				
Bond refunding loss being amortized	231,748	-	231,748	-
Deferred outflows related to pensions (Note 6)	11,714,324	-	11,714,324	-
Deferred OPEB costs (Note 7)	1,458,277	-	1,458,277	-
Total deferred outflows of resources	13,404,349	-	13,404,349	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	4,994,892	-	4,994,892	129,327
Unearned revenue	468,975	-	468,975	-
Current portion of long-term debt (Note 5)	4,058,431	-	4,058,431	-
Total current liabilities	9,522,298	-	9,522,298	129,327
Noncurrent liabilities:				
Payable from restricted assets	10,568,149	-	10,568,149	13,783,666
Lease interest payable	-	-	-	5,258,648
Net pension liability (Note 6)	23,557,242	-	23,557,242	-
Net OPEB liability (Note 7)	28,244,646	-	28,244,646	-
Long-term debt - Net of current portion (Note 5)	251,522,094	-	251,522,094	326,555,780
Total noncurrent liabilities	313,892,131	-	313,892,131	345,598,094
Total liabilities	323,414,429	-	323,414,429	345,727,421
Deferred Inflows of Resources				
Deferred pension cost reductions (Note 6)	10,087,371	-	10,087,371	-
Deferred OPEB cost reductions (Note 7)	3,670,429	-	3,670,429	-
Total deferred inflows of resources	13,757,800	-	13,757,800	-
Net Position				
Net investment in capital assets	198,616,013	1,397,959	200,013,972	13,970,685
Restricted for debt service	73,273	-	73,273	8,182,677
Unrestricted	(22,635,999)	-	(22,635,999)	2,688,829
Total net position	\$ 176,053,287	\$ 1,397,959	\$ 177,451,246	\$ 24,842,191

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

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2018

	Primary Government			Component Unit - Year Ended September 30, 2018
	Enterprise Fund	Internal Service Fund	Total	Karegnondi Water Authority
Operating Revenue				
Sale of water	\$ 41,043,828	\$ -	\$ 41,043,828	\$ 3,484,113
Sewage disposal charges	31,062,903	-	31,062,903	-
Billing services	142,944	-	142,944	-
Water meter sales	156,776	-	156,776	-
Sewer and pumping station - Operation and maintenance	1,300,447	-	1,300,447	-
Other operating revenue	1,837,136	-	1,837,136	-
Total operating revenue	75,544,034	-	75,544,034	3,484,113
Operating Expenses				
Cost of water	19,745,531	-	19,745,531	-
Sludge disposal service	1,260,396	-	1,260,396	-
Cost of insurance claims and expenses	757,439	-	757,439	84,204
Repairs and maintenance	4,221,919	-	4,221,919	85,721
Other supplies and expenses	1,882,731	73,056	1,955,787	29,772
Contractual services	1,806,398	-	1,806,398	475,064
Utilities	4,178,131	-	4,178,131	869,156
Personnel services	21,165,563	-	21,165,563	-
Depreciation	11,734,684	248,632	11,983,316	5,528,448
Total operating expenses	66,752,792	321,688	67,074,480	7,072,365
Operating Income (Loss)	8,791,242	(321,688)	8,469,554	(3,588,252)
Nonoperating Revenue (Expense)				
Investment income - Net	103,693	-	103,693	570,260
Community bond interest income	1,750,021	-	1,750,021	-
Community bond interest expense	(1,750,021)	-	(1,750,021)	-
Capacity/Debt service fee	-	-	-	22,027,212
Miscellaneous income	1,473,811	9,605	1,483,416	-
Interest and fiscal charges	(7,841,809)	-	(7,841,809)	(15,683,962)
Total nonoperating (expense) revenue	(6,264,305)	9,605	(6,254,700)	6,913,510
Change in Net Position	2,526,937	(312,083)	2,214,854	3,325,258
Net Position - Beginning of year, as restated (Note 1)	173,526,350	1,710,042	175,236,392	21,516,933
Net Position - End of year	\$ 176,053,287	\$ 1,397,959	\$ 177,451,246	\$ 24,842,191

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows

Year Ended December 31, 2018

	Primary Government			Component Unit - Year Ended September 30, 2018
	Enterprise Fund	Internal Service Fund	Total	Karegnondi Water Authority
Cash Flows from Operating Activities				
Receipts from customers	\$ 75,833,449	\$ -	\$ 75,833,449	\$ 3,412,623
Payments to suppliers and others for goods and services	(38,806,072)	(73,056)	(38,879,128)	(1,534,341)
Payments for salaries and employee benefits	(20,375,006)	-	(20,375,006)	-
Net cash and cash equivalents provided by (used in) operating activities	16,652,371	(73,056)	16,579,315	1,878,282
Cash Flows from Capital and Related Financing Activities				
Proceeds from issuance of bonds	-	-	-	72,718,919
Bonds refunded	-	-	-	(74,370,000)
Collection of leases receivable from municipalities	2,955,000	-	2,955,000	-
Capacity/Debt service fee	-	-	-	22,027,212
Proceeds from sale of capital assets	-	9,605	9,605	-
Collection of interest from communities and C.U. (KWA)	3,227,708	-	3,227,708	-
Purchase of capital assets	(8,634,381)	(72,112)	(8,706,493)	(3,467,668)
Principal and interest paid on bond maturities	(19,340,545)	-	(19,340,545)	(20,555,479)
Miscellaneous revenue	1,473,811	-	1,473,811	-
Bond issuance costs	-	-	-	(566,974)
Capital grant contributions	4,950,882	-	4,950,882	-
Net cash and cash equivalents used in capital and related financing activities	(15,367,525)	(62,507)	(15,430,032)	(4,213,990)
Cash Flows from Investing Activities				
Investment income	103,693	-	103,693	540,583
Purchases of investment securities	-	-	-	3,225,547
Net cash and cash equivalents provided by investing activities	103,693	-	103,693	3,766,130
Net Increase (Decrease) in Cash and Cash Equivalents	1,388,539	(135,563)	1,252,976	1,430,422
Cash and Cash Equivalents - Beginning of year	24,620,181	135,563	24,755,744	8,262,701
Cash and Cash Equivalents - End of year	\$ 26,008,720	\$ -	\$ 26,008,720	\$ 9,693,123
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 15,210,315	\$ -	\$ 15,210,315	\$ 7,766,606
Restricted cash	10,798,405	-	10,798,405	36,284,709
Less amounts classified as investments	-	-	-	(34,358,192)
Total cash and cash equivalents	\$ 26,008,720	\$ -	\$ 26,008,720	\$ 9,693,123

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

Statement of Cash Flows (Continued)

Year Ended December 31, 2018

	Primary Government			Component Unit - Year Ended September 30, 2018
	Enterprise Fund	Internal Service Fund	Total	Karegnondi Water Authority
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 8,791,242	\$ (321,688)	\$ 8,469,554	\$ (3,588,252)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	11,734,684	248,632	11,983,316	5,528,448
Changes in assets and liabilities:				
Receivables	72,107	-	72,107	-
Due from other governmental units	-	-	-	(71,490)
Local communities construction in progress	(370,445)	-	(370,445)	-
Prepaid and other assets	325,292	-	325,292	-
Net pension and OPEB liability	850,650	-	850,650	-
Accounts payable and accrued expense	(4,751,159)	-	(4,751,159)	9,576
Total adjustments	7,861,129	248,632	8,109,761	5,466,534
Net cash and cash equivalents provided by (used in) operating activities	\$ 16,652,371	\$ (73,056)	\$ 16,579,315	\$ 1,878,282

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County, Michigan (the "Division"), 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 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 Genesee County, Michigan (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 (GAAP), as 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. Genesee County Division of Water and Waste Services - Vehicle and Equipment Fund (Internal Service Fund)
5. 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 will be presented, as described in the following paragraph.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 1 - Significant Accounting Policies (Continued)

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, which consists of 15 individuals, of which eight 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 their administrative offices at 4610 Beecher Road, Flint, MI 48532. The 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, 2018.

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.

Additionally, the Division reports the following Internal Service Fund:

The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the Division on a cost-plus basis.

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.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 1 - Significant Accounting Policies (Continued)

Prepaid Items

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

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.

Leases Receivable

Leases receivable consist 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. Lease payments approximate the debt service requirements of the associated bonds.

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.

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

Local Unit Construction in Progress

Local unit construction in progress represents construction of water and sewer distribution and collection systems performed by the Division for local communities. The projects are recorded as an asset during the construction phase and are offset by an unearned lease. When the projects are substantially complete, the asset and unearned lease are removed from the basic financial statements, and an asset is recorded by the local community.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

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 (assumption changes, investment earnings different than assumed, contributions made subsequent to the measurement date, and experience differences), 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 (experience differences, assumptions changes, and investment earnings) 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.

Unearned Leases

Unearned leases represent cash and investments and construction in progress recorded on the Division's books belonging to the municipalities participating in the water collection and sewage disposal system. There was \$468,975 of unearned leases recorded at December 31, 2018.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

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 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 healthcare 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 at the beginning of each year. Nonunion 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, 2018, the Division has recorded a liability of approximately \$635,000 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 and Internal Service 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 and Internal Service 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.

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.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. 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, 2019.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. 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, 2020.

Adoption of New Accounting Pronouncements

During the current year, the Division adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which replaces GASB Statement No. 45. As a result, the proprietary funds now include a liability for the Division's estimated unfunded other postemployment benefit (OPEB) costs. Some of the changes in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan disclosure (see Note 7) for further details.

The financial statements for the year ended December 31, 2017 have been restated in order to adopt GASB Statement No. 75. The effect of this new standard was a decrease in net position to record the net OPEB liability at December 31, 2017. Additionally, the net OPEB obligation previously recorded in the proprietary funds in accordance with GASB Statement No. 45 has been eliminated, and the overall result was a decrease in net position as of the beginning of the current fiscal year.

	<u>Primary Government</u>	<u>Enterprise Fund</u>
Net position - Beginning of year, as previously reported	\$ 199,227,439	
Adjustment for GASB Statement No. 75 - To record the net OPEB liability	(30,848,940)	
Adjustment for GASB Statement No. 75 - To eliminate the net OPEB obligation	5,147,851	
Net position - Beginning of year, as restated	<u>\$ 173,526,350</u>	

The impact on the prior year changes in net position could not be determined.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 2 - Deposits and Investments

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

The Division has designated two banks 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 \$10,888,973 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Bank deposits of \$15,500,000 were insured and \$66,311 were collateralized. The Division believes that, due to the dollar amounts of cash deposits and the limits of 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.

For the year ended September 30, 2018, Karegnondi Water Authority had \$10,510,234 (checking and savings accounts) that were not fully insured or collateralized.

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; 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. All cash and investments owned by the Division and KWA are properly valued at cost; there is no fair value hierarchy applicable.

Note 3 - Restricted Assets

At December 31, 2018, restricted assets are composed of the following:

Description	Enterprise Fund	Component Unit - KWA
Unspent bond proceeds and related interest	\$ 257,864	\$ 1,726,517
Unspent bond proceeds held by the County	100,000	200,000
General obligation bond restrictions:		
Debt reserve/redemption	10,440,541	19,918,403
Capacity/Debt service fee for debt service	-	14,439,789
Total	\$ 10,798,405	\$ 36,284,709

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 3 - Restricted Assets (Continued)

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 capital lease.

Net position has been restricted for \$73,273 and \$8,182,677 for the Division and KWA, respectively, related to the restricted assets held for debt service, net of the related payable.

Note 4 - Capital Assets

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

Proprietary Funds

	Balance January 1, 2018	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2018
Enterprise Fund					
Capital assets not being depreciated:					
Land	\$ 2,478,164	\$ -	\$ 13,166	\$ (148,167)	\$ 2,343,163
Construction in progress	139,814,195	(145,674,789)	7,132,066	(15,767)	1,255,705
Subtotal	142,292,359	(145,674,789)	7,145,232	(163,934)	3,598,868
Capital assets being depreciated:					
Distribution and collections system	362,654,450	138,773,947	-	-	501,428,397
Buildings and equipment	15,476,876	6,900,842	118,296	-	22,496,014
Vehicles	1,671,622	-	59,095	-	1,730,717
Subtotal	379,802,948	145,674,789	177,391	-	525,655,128
Accumulated depreciation:					
Distribution and collections system	92,764,651	-	10,482,751	-	103,247,402
Buildings and equipment	6,723,987	-	1,076,384	-	7,800,371
Vehicles	860,918	-	175,549	-	1,036,467
Subtotal	100,349,556	-	11,734,684	-	112,084,240
Net capital assets being depreciated	279,453,392	145,674,789	(11,557,293)	-	413,570,888
Net Enterprise Fund capital assets	421,745,751	-	(4,412,061)	(163,934)	417,169,756
Internal Service Fund					
Capital assets being depreciated -					
Buildings and equipment	8,017,452	-	72,112	(16,000)	8,073,564
Accumulated depreciation -					
Buildings and equipment	6,442,973	-	248,632	(16,000)	6,675,605
Net Internal Service Fund capital assets	1,574,479	-	(176,520)	-	1,397,959
Net proprietary funds capital assets	\$ 423,320,230	\$ -	\$ (4,588,581)	\$ (163,934)	\$ 418,567,715

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 4 - Capital Assets (Continued)

Capital asset activity for the Division's component unit, KWA, for the year ended September 30, 2018 was as follows:

Component Unit

	Balance October 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2018
Capital assets not being depreciated - Construction in progress of water pipeline	\$ 331,427,489	\$ (331,706,870)	\$ 279,381	\$ -	\$ -
Capital assets being depreciated - Water pipeline	-	-	331,706,870	-	331,706,870
Accumulated depreciation	-	-	5,528,448	-	5,528,448
Net capital assets	\$ 331,427,489	\$ (331,706,870)	\$ 326,457,803	\$ -	\$ 326,178,422

Construction Commitments

The Division has active construction projects at year end, which include improvements and extensions to the water and sewage disposal systems. The most significant project related to the water supply system construction. The Division spent \$129,744,903 to date and has \$1,310,583 remaining on outstanding contracts.

The component unit, KWA, had the water pipeline project in progress during the year. At year end, it spent \$259,383,585 and had \$1,922,401 remaining on the contract.

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.

Long-term debt activity for the year ended December 31, 2018 can be summarized as follows:

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Genesee County drain commissioner bonds payable:							
Interceptor and treatment facilities	1.625%-5.00%	2031	\$ 65,156,023	\$ -	\$ (5,920,000)	\$ 59,236,023	\$ 5,500,000
District No. 3	2.14%-4.50%	2030	4,670,000	-	(385,000)	4,285,000	405,000
Water supply system	0.90%-5.375%	2046	190,380,126	148,401	(3,810,000)	186,718,527	4,220,000
Premiums on bonds payable			10,343,133	-	(404,161)	9,938,972	-
Subtotal			270,549,282	148,401	(10,519,161)	260,178,522	10,125,000
Community-related bonds payable:							
Interceptor and treatment facilities	4.00%-4.35%	2025	1,370,000	-	(1,055,000)	315,000	315,000
District No. 3	4.00%-7.375%	2019	1,820,000	-	(915,000)	905,000	905,000
Water supply system	2.50%	2035	1,643,572	-	(85,000)	1,558,572	90,000
Subtotal			4,833,572	-	(2,055,000)	2,778,572	1,310,000
Total business-type activities long-term debt			\$ 275,382,854	\$ 148,401	\$ (12,574,161)	\$ 262,957,094	\$ 11,435,000

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 5 - Long-term Debt (Continued)

Component Unit

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due within One Year
Bonds	\$ 294,870,000	\$ 65,735,000	\$ (78,475,000)	\$ 282,130,000	\$ 5,390,000
Premiums on bonds payable	10,240,138	6,983,919	(643,277)	16,580,780	-
Capital lease	35,000,000	-	(865,000)	34,135,000	900,000
Total component unit long-term debt	\$ 340,110,138	\$ 72,718,919	\$ (79,983,277)	\$ 332,845,780	\$ 6,290,000

A total of \$7,376,569 of the \$11,435,000 due within one year for the Division is included in payable from restricted assets on the statement of net position.

Debt due within one year of \$6,290,000 for KWA is included in payable from restricted assets on the statement of net position.

Total interest expense for the Division for the year was \$9,946,153, none of which was capitalized. Total interest expense for KWA for the year was \$15,759,515.

Debt Service Requirements to Maturity

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

Years Ending December 31	Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 11,435,000	\$ 9,619,908	\$ 21,054,908	\$ 5,390,000	\$ 14,287,367	\$ 19,677,367
2020	10,490,000	9,295,482	19,785,482	5,670,000	13,864,762	19,534,762
2021	10,840,000	8,973,865	19,813,865	5,895,000	13,611,612	19,506,612
2022	11,155,000	8,638,072	19,793,072	6,175,000	13,339,862	19,514,862
2023	11,535,000	8,289,035	19,824,035	6,445,000	13,044,363	19,489,363
2024-2028	57,530,000	35,782,008	93,312,008	37,375,000	59,918,469	97,293,469
2029-2033	40,500,288	25,769,207	66,269,495	47,980,000	49,009,863	96,989,863
2034-2038	40,362,834	18,267,389	58,630,223	61,525,000	35,143,381	96,668,381
2039-2043	37,395,000	9,227,625	46,622,625	79,155,000	17,058,693	96,213,693
2044-2048	21,775,000	1,330,125	23,105,125	26,520,000	1,283,000	27,803,000
Total	\$ 253,018,122	\$ 135,192,716	\$ 388,210,838	\$ 282,130,000	\$ 230,561,372	\$ 512,691,372

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 (GCERS or the "System"), administered by Genesee County, Michigan. The plan is included as a pension trust fund in Genesee County's Comprehensive Annual 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.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 6 - Pension Plan (Continued)

GCERS was organized pursuant to Section 12a of Act 156, State of Michigan Public Acts of 1851 (MSA 5.33(I); 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. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in GCERS.

GCERS provides for vesting of benefits after 10 years of service. Generally, participants may elect normal retirement with 25 years of credited service, regardless of age, or retire at age 60 with 10 or more years of credited service. Retirement benefits vary by employer group and are payable monthly. Generally, the retirement benefit is equal to the employee's final average compensation times the sum of 2.0 to 2.4 percent for each year of credited service. All employers allow members to elect a deferred annuity providing a lifetime benefit. The length of service required to elect the deferred annuity is either 8 or 10 years, depending on the date of employment and employer group.

Benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments range between 1.75 and 3 percent, noncompounding.

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:

	<u>Genesee County Employees Retirement Plan</u>
Date of member count	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	105
Inactive plan members entitled to but not yet receiving benefits	8
Active plan members	<u>143</u>
Total employees covered by the plan	<u>256</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.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 6 - Pension Plan (Continued)

For the year ended December 31, 2018, one appointed employee contributed 5 percent, while all others contributed 7 percent of annual pay, and the Division's prescribed actuarial contribution rate was 19.15 percent of annual payroll.

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, 2018 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, 2017 measurement date. The December 31, 2017 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, 2017	\$ 70,488,810	\$ 42,930,000	\$ 27,558,810
Changes for the year:			
Service cost	1,663,146	-	1,663,146
Interest	4,270,786	-	4,270,786
Differences between expected and actual experience	2,589,458	-	2,589,458
Changes in assumptions	(5,212,701)	-	(5,212,701)
Contributions - Employer	-	1,751,177	(1,751,177)
Contributions - Employee	-	613,544	(613,544)
Net investment income	-	5,008,597	(5,008,597)
Benefit payments, including refunds	(3,586,080)	(3,586,080)	-
Administrative expenses	-	(61,061)	61,061
Net changes	(275,391)	3,726,177	(4,001,568)
Balance at December 31, 2017	\$ 70,213,419	\$ 46,656,177	\$ 23,557,242

The plan's fiduciary net position represents 66.4 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, 2018, the Division recognized pension expense of \$3,302,544.

At December 31, 2018, 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	\$ 2,197,116	\$ (2,177,248)
Changes in assumptions	7,457,455	(6,241,099)
Net difference between projected and actual earnings on pension plan investments	-	(1,669,024)
Employer contributions to the plan subsequent to the measurement date	2,059,753	-
Total	\$ 11,714,324	\$ (10,087,371)

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

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
2019	\$ 471,700
2020	484,708
2021	12,372
2022	(149,298)
2023	(1,013,806)
Thereafter	(238,476)

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.0 to 7.03 percent, which include across-the-board increases, along with merit and longevity increases that range from 0.17 percent up to 4.03 percent; an investment rate of return (net of administrative and investment expenses) of 7.70 percent; and the RP-2000 Combined Healthy Annuitant Mortality Table projected to 2014.

Discount Rate

The discount rate used to measure the total pension liability was 6.72 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 discount rate incorporates both the assumed rate of return of 7.70 percent and a municipal bond rate, which was 3.16 percent. The source of that bond rate was the S&P Muni Bond 20-year high-grade index.

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 7.70 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	37.00 %	7.50 %
Non-U.S. equities	18.00	8.50
Domestic fixed income	27.00	2.50
Real estate	18.00	4.50

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

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 6.72 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 Percent Decrease (5.72%)	Current Discount Rate (6.72%)	1 Percent Increase (7.72%)
Net pension liability of the Division	\$ 31,816,264	\$ 23,557,242	\$ 16,530,997

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is not 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, 2017 actuarial valuation, there were assumption changes that resulted in a decrease in the calculated total pension liability. The assumptions changed during the year related to the discount rate and investment rate of return; 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 OPEB Plan provides healthcare 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:

	OPEB Plan
Date of member count	December 31, 2018
Inactive plan members or beneficiaries currently receiving benefits	83
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	<hr/> 154 <hr/>
Total plan members	<hr/> 241 <hr/>

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

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, 2018, the Division's contribution was \$4,081,875. 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, 2018 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, 2018 measurement date. The December 31, 2018 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, 2018	\$ 45,608,638	\$ 14,759,698	\$ 30,848,940
Changes for the year:			
Service cost	1,704,537	-	1,704,537
Interest	3,422,903	-	3,422,903
Differences between expected and actual experience	(4,016,485)	-	(4,016,485)
Changes in assumptions	(297,879)	-	(297,879)
Contributions - Employer	-	4,081,875	(4,081,875)
Net investment loss	-	(625,911)	625,911
Benefit payments, including refunds	(1,644,402)	(1,644,402)	-
Administrative expenses	-	(38,594)	38,594
Net changes	(831,326)	1,772,968	(2,604,294)
Balance at December 31, 2018	\$ 44,777,312	\$ 16,532,666	\$ 28,244,646

The plan's fiduciary net position represents 36.92 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, 2018, the Division recognized OPEB expense of \$3,689,733.

At December 31, 2018, 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	\$ -	\$ (3,417,010)
Changes in assumptions	-	(253,419)
Net difference between projected and actual earnings on OPEB plan investments	1,458,277	-
Total	\$ 1,458,277	\$ (3,670,429)

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

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
2019	\$ (279,366)
2020	(279,366)
2021	(279,366)
2022	(279,366)
2023	(643,935)
Thereafter	<u>(450,753)</u>
Total	<u>\$ (2,212,152)</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 4 percent; an investment rate of return (net of investment expenses) of 7.5 percent; a healthcare cost trend rate of 6 percent for 2018, decreasing 0.1 percent per year to an ultimate rate of 5 percent for 2028 and later years; and the RP-2014 mortality tables with the MP-2017 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 7.50 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.

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.

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, 2018 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 tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	55.50 %	6.15 %
Global fixed income	18.50	1.26
Real assets	13.50	7.22
Diversifying	12.50	5.00

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 7 - Other Postemployment Benefit Plan (Continued)

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 7.50 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 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the OPEB Plan	\$ 34,341,192	\$ 28,244,646	\$ 22,778,458

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

The following presents the net OPEB liability of the Division, calculated using the healthcare cost trend rate of 6.00 percent, as well as what the Division's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.00-4.00%)	Current Healthcare Cost Trend Rate (6.00-5.00%)	1 Percent Increase (7.00-6.00%)
Net OPEB liability of the OPEB Plan	\$ 21,983,007	\$ 28,244,646	\$ 35,553,937

Assumption Changes

For the December 31, 2018 actuarial valuation, there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The assumptions changed during the year related to the mortality table; see above for the assumptions used.

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, as well as 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:

	2018	2017
Unpaid claims - Beginning of year	\$ 464,933	\$ 504,899
Incurred claims, including claims incurred but not reported	2,911,806	2,231,679
Claim payments	(2,778,639)	(2,271,645)
Unpaid claims - End of year	<u>\$ 598,100</u>	<u>\$ 464,933</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements

December 31, 2018

Note 9 - Related Party Transactions

During fiscal year 2013, the Karegnondi Water Authority (the "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.

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 a lease 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 a capital lease and record as construction in progress the cost of land and other construction costs previously incurred by the Division. The Division reports a lease receivable, and KWA reports long-term debt.

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

2019	\$ 2,526,588
2020	2,529,188
2021	2,525,438
2022	2,529,438
2023	2,525,687
2024 - 2028	12,639,975
2029 - 2033	12,632,175
2034 - 2038	12,637,344
2039 - 2041	<u>7,583,646</u>
Total minimum lease payments	58,129,479
Less amount representing interest	<u>(24,894,479)</u>
Present value	<u><u>\$ 33,235,000</u></u>

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 Four Fiscal Years Ended December 31			
	2018	2017	2016	2015
Total Pension Liability				
Service cost	\$ 1,663,146	\$ 1,541,981	\$ 879,564	\$ 792,297
Interest	4,270,786	4,014,166	4,017,471	3,903,244
Differences between expected and actual experience	2,589,458	(2,164,986)	(50,724)	(1,552,139)
Changes in assumptions	(5,212,701)	(2,560,324)	12,131,977	1,720,622
Benefit payments, including refunds	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	205,519	-
Net Change in Total Pension Liability	(275,391)	(2,705,689)	13,708,851	1,433,184
Total Pension Liability - Beginning of year	<u>70,488,810</u>	<u>73,194,499</u>	<u>59,485,648</u>	<u>58,052,464</u>
Total Pension Liability - End of year	<u>\$ 70,213,419</u>	<u>\$ 70,488,810</u>	<u>\$ 73,194,499</u>	<u>\$ 59,485,648</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,751,177	\$ 1,642,376	\$ 1,608,830	\$ 1,434,116
Contributions - Member	613,544	571,224	573,221	491,212
Net investment income	5,008,597	3,287,118	519,442	2,799,943
Administrative expenses	(61,061)	(39,153)	(46,313)	(45,417)
Benefit payments, including refunds	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	(7,976)	56,737	-
Net Change in Plan Fiduciary Net Position	3,726,177	1,917,063	(763,039)	1,249,014
Plan Fiduciary Net Position - Beginning of year	<u>42,930,000</u>	<u>41,012,937</u>	<u>41,775,976</u>	<u>40,526,962</u>
Plan Fiduciary Net Position - End of year	<u>\$ 46,656,177</u>	<u>\$ 42,930,000</u>	<u>\$ 41,012,937</u>	<u>\$ 41,775,976</u>
Division's Net Pension Liability - Ending	<u>\$ 23,557,242</u>	<u>\$ 27,558,810</u>	<u>\$ 32,181,562</u>	<u>\$ 17,709,672</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.45 %	60.90 %	56.03 %	70.23 %
Covered Payroll	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806
Division's Net Pension Liability as a Percentage of Covered Payroll	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,863,204	\$ 1,430,189	\$ 1,330,325	\$ 1,456,379	\$ 1,491,452	\$ 1,456,416	\$ 1,531,645	\$ 1,763,782	\$ 1,744,861	\$ 1,679,931
Contributions in relation to the actuarially determined contribution	2,059,753	1,767,501	1,642,376	1,608,830	1,491,452	1,456,416	1,531,645	1,763,782	1,744,861	1,679,931
Contribution Excess	\$ 196,549	\$ 337,312	\$ 312,051	\$ 152,451	\$ -					
Covered Payroll	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806	\$ 7,331,367	\$ 7,199,930	\$ 7,050,579	\$ 7,312,770	\$ 7,610,890	\$ 8,130,143
Contributions as a Percentage of Covered Payroll	21.17 %	20.02 %	20.00 %	20.34 %	20.34 %	20.23 %	21.72 %	24.12 %	22.93 %	20.66 %

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, 2018 were determined based on the actuarial valuation as of December 31, 2016. The most recent valuation is as of December 31, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	25 years, open
Asset valuation method	Four-year smoothed market
Inflation	3.00 percent
Salary increase	3.0-7.03 percent, based on age
Investment rate of return	7.70 percent, net of investment expenses
Retirement age	60
Mortality	RP 2000 Combined Healthy Mortality Table projected to 2014 using Scale AA
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 Fiscal Year
	2018
Total OPEB Liability	
Service cost	\$ 1,704,537
Interest	3,422,903
Differences between expected and actual experience	(4,016,485)
Changes in assumptions	(297,879)
Benefit payments, including refunds	<u>(1,644,402)</u>
Net Change in Total OPEB Liability	(831,326)
Total OPEB Liability - Beginning of year	<u>45,608,638</u>
Total OPEB Liability - End of year	<u>\$ 44,777,312</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 4,081,875
Net investment loss	(625,911)
Benefit payments, including refunds	(1,644,402)
Administrative expenses	<u>(38,594)</u>
Net Change in Plan Fiduciary Net Position	1,772,968
Plan Fiduciary Net Position - Beginning of year	<u>14,759,698</u>
Plan Fiduciary Net Position - End of year	<u>\$ 16,532,666</u>
Net OPEB Liability - Ending	<u>\$ 28,244,646</u>
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	36.92 %
Covered Employee Payroll	\$ 10,167,151
Net OPEB Liability as a Percentage of Covered Employee Payroll	277.80 %

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

**Required Supplemental Information
Schedule of OPEB Contributions**

	Last Ten Fiscal Years Years Ended December 31									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 3,033,990	\$ 3,033,990	\$ 2,845,372	\$ 2,715,562	\$ 3,554,246	\$ 2,523,914	\$ 3,818,480	\$ 3,933,831	\$ 2,587,823	\$ 2,085,921
Contributions in relation to the actuarially determined contribution	4,081,875	3,260,251	3,087,627	3,006,763	3,742,617	3,202,908	4,023,879	1,418,354	1,475,865	1,039,958
Contribution Excess (Deficiency)	\$ 1,047,885	\$ 226,261	\$ 242,255	\$ 291,201	\$ 188,371	\$ 678,994	\$ 205,399	\$ (2,515,477)	\$ (1,111,958)	\$ (1,045,963)
Covered Employee Payroll	\$ 10,167,151	\$ 9,397,507	\$ 8,244,365	\$ 8,163,418	\$ 7,092,691	\$ 7,092,691	\$ 7,312,770	\$ 7,610,890	\$ 7,610,890	\$ 8,420,060
Contributions as a Percentage of Covered Employee Payroll	40.15 %	34.69 %	37.45 %	36.83 %	52.77 %	45.16 %	55.03 %	18.64 %	19.39 %	12.35 %

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, one year prior to the end of the fiscal year in which the contributions are reported. Contributions for the Division's fiscal year ended December 31, 2018 were determined based on the actuarial valuation as of December 31, 2017.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Market
Inflation	3.00 percent
Healthcare cost trend rates	6.00 percent, graded down to 5 percent over 10 years
Investment rate of return	7.50 percent, net of plan investment expense
Retirement age	60
Mortality	RP 2014 Mortality Table with MP 2017
Other information	None

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, 2018

(with comparative totals for 2017)

	2018					2017
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Assets						
Current assets:						
Cash and cash equivalents	\$ 7,397,308	\$ 2,821,978	\$ 677,612	\$ 4,313,417	\$ 15,210,315	\$ 15,908,418
Receivables:						
Receivables from sales to customers on account	6,484,350	933,946	211,311	6,380,749	14,010,356	14,082,463
Due from other governments	2,231	20,107	-	275,006	297,344	6,725,911
Current portion of leases receivable	315,000	905,000	-	1,025,000	2,245,000	2,295,000
Prepaid expenses and other assets	30,939	2,083	-	659,304	692,326	997,256
Total current assets	14,229,828	4,683,114	888,923	12,653,476	32,455,341	40,009,048
Noncurrent assets:						
Restricted assets	5,225,294	495,475	-	5,077,636	10,798,405	8,711,763
Leases receivable - Net of current portion	-	-	-	33,768,572	33,768,572	36,673,572
Due from other governmental units	-	-	-	5,258,648	5,258,648	5,258,648
Local unit construction in progress	370,445	-	-	-	370,445	-
Capital assets - Net	196,045,882	25,132,409	345,264	195,646,201	417,169,756	421,745,751
Total noncurrent assets	201,641,621	25,627,884	345,264	239,751,057	467,365,826	472,389,734
Total assets	215,871,449	30,310,998	1,234,187	252,404,533	499,821,167	512,398,782
Deferred Outflows of Resources						
Bond refunding loss being amortized	216,382	6,227	-	9,139	231,748	252,651
Deferred outflows related to pensions	6,069,812	1,246,505	308,145	4,089,862	11,714,324	11,794,222
Deferred OPEB costs	749,992	142,328	30,186	535,771	1,458,277	-
Total deferred outflows of resources	7,036,186	1,395,060	338,331	4,634,772	13,404,349	12,046,873
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	2,239,030	1,066,140	62,471	1,627,251	4,994,892	10,215,024
Unearned revenue	468,975	-	-	-	468,975	-
Current portion of long-term debt	857,154	905,000	-	2,296,277	4,058,431	7,758,270
Total current liabilities	3,565,159	1,971,140	62,471	3,923,528	9,522,298	17,973,294
Noncurrent liabilities:						
Payable from restricted assets	5,225,293	422,202	-	4,920,654	10,568,149	5,742,496
Net pension liability	12,207,363	2,506,490	619,556	8,223,833	23,557,242	27,558,810
Net OPEB liability	14,526,222	2,756,677	584,664	10,377,083	28,244,646	5,147,853
Long-term debt - Net of current portion	53,751,861	3,880,000	-	193,890,233	251,522,094	263,872,854
Total noncurrent liabilities	85,710,739	9,565,369	1,204,220	217,411,803	313,892,131	302,322,013
Total liabilities	89,275,898	11,536,509	1,266,691	221,335,331	323,414,429	320,295,307
Deferred Inflows of Resources						
Deferred pension cost reductions	5,226,726	1,073,398	265,355	3,521,892	10,087,371	4,922,909
Deferred OPEB cost reductions	1,887,702	358,234	75,977	1,348,516	3,670,429	-
Total deferred inflows of resources	7,114,428	1,431,632	341,332	4,870,408	13,757,800	4,922,909
Net Position						
Net investment in capital assets	141,968,251	21,258,636	345,264	35,043,862	198,616,013	192,876,952
Restricted - Debt service	-	73,273	-	-	73,273	75,911
Unrestricted	(15,450,942)	(2,593,992)	(380,769)	(4,210,296)	(22,635,999)	6,274,576
Total net position	\$ 126,517,309	\$ 18,737,917	\$ (35,505)	\$ 30,833,566	\$ 176,053,287	\$ 199,227,439

**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, 2018
(with comparative totals for 2017)**

	2018					2017
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Operating Revenue						
Sale of water	\$ -	\$ -	\$ -	\$ 41,043,828	\$ 41,043,828	\$ 37,325,292
Sewage disposal charges	25,374,288	4,740,185	948,430	-	31,062,903	31,322,285
Billing services	142,944	-	-	-	142,944	142,325
Water meter sales	-	-	-	156,776	156,776	140,115
Sewer and pumping station - Operation and maintenance	1,300,447	-	-	-	1,300,447	1,295,379
Other operating revenue	559,194	474,184	6,848	796,910	1,837,136	1,747,662
Total operating revenue	27,376,873	5,214,369	955,278	41,997,514	75,544,034	71,973,058
Operating Expenses						
Cost of water	-	-	-	19,745,531	19,745,531	26,059,047
Sludge disposal service	908,351	352,045	-	-	1,260,396	1,184,904
Cost of insurance claims and expenses	309,689	54,170	9,658	383,922	757,439	705,867
Repairs and maintenance	1,700,798	1,532,420	83,067	905,634	4,221,919	5,026,706
Other supplies and expenses	766,556	89,868	52,848	973,459	1,882,731	2,022,450
Contractual services	779,030	198,972	20,709	807,687	1,806,398	1,496,279
Utilities	2,624,423	423,262	186,853	943,593	4,178,131	3,857,809
Personnel services	10,620,046	1,798,697	528,458	8,218,362	21,165,563	20,685,792
Depreciation	5,523,926	861,471	30,226	5,319,061	11,734,684	8,343,403
Total operating expenses	23,232,819	5,310,905	911,819	37,297,249	66,752,792	69,382,257
Operating Income (Loss)	4,144,054	(96,536)	43,459	4,700,265	8,791,242	2,590,801
Nonoperating Revenue (Expense)						
Investment income - Net	48,059	13,858	3,012	38,764	103,693	15,555
Community bond interest income	42,884	45,600	-	1,661,537	1,750,021	1,875,712
Community bond interest expense	(42,884)	(45,600)	-	(1,661,537)	(1,750,021)	(1,875,712)
Miscellaneous income	679,500	-	-	794,311	1,473,811	1,141,612
Interest and fiscal charges	(1,351,354)	(94,594)	-	(6,395,861)	(7,841,809)	(3,520,665)
Total nonoperating (expense) revenue	(623,795)	(80,736)	3,012	(5,562,786)	(6,264,305)	(2,363,498)
Capital Contributions	-	-	-	-	-	7,500,000
Transfers In (Out)	36,704	-	-	(36,704)	-	-
Special Items - Sale of pipeline	-	-	-	-	-	(3,512,974)
Change in Net Position	3,556,963	(177,272)	46,471	(899,225)	2,526,937	4,214,329
Net Position - Beginning of year, as restated	122,960,346	18,915,189	(81,976)	31,732,791	173,526,350	195,013,110
Net Position - End of year	\$ 126,517,309	\$ 18,737,917	\$ (35,505)	\$ 30,833,566	\$ 176,053,287	\$ 199,227,439

**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, 2018
(with comparative totals for 2017)**

	2018					2017
	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	\$ 27,274,397	\$ 5,126,411	\$ 900,144	\$ 42,532,497	\$ 75,833,449	\$ 69,930,733
Payments to suppliers and others for goods and services	(7,165,595)	(1,916,936)	(335,241)	(29,388,300)	(38,806,072)	(39,730,972)
Payments for salaries and employee benefits	(10,447,885)	(2,065,533)	(511,721)	(7,349,867)	(20,375,006)	(18,106,180)
Net cash and cash equivalents provided by operating activities	9,660,917	1,143,942	53,182	5,794,330	16,652,371	12,093,581
Cash Flows from Capital and Related Financing Activities						
Proceeds from issuance of bonds	-	-	-	-	-	31,352,329
Retirement of refunded bonds	-	-	-	-	-	(19,295,000)
Collection of leases receivable from municipalities	1,055,000	915,000	-	985,000	2,955,000	3,770,000
Collection of interest from communities and C.U. (KWA)	50,228	43,694	-	3,133,785	3,227,707	1,904,687
Purchase of capital assets	(1,494,979)	-	-	(7,139,402)	(8,634,381)	(66,383,267)
Principal paid on bond maturities	(5,920,000)	(385,000)	-	(3,810,000)	(10,115,000)	(12,095,000)
Interest paid on bonds	(2,485,648)	(1,054,457)	-	(5,685,440)	(9,225,545)	(5,915,325)
Miscellaneous revenue	679,500	-	-	794,311	1,473,811	1,124,963
Transfers to other funds	36,704	-	-	(36,704)	-	-
Capital grant contribution	-	-	-	4,950,882	4,950,882	2,549,118
Net cash and cash equivalents used in capital and related financing activities	(8,079,195)	(480,763)	-	(6,807,568)	(15,367,526)	(62,987,495)
Cash Flows Provided by Investing Activities -						
Investment income	48,059	13,858	3,013	38,764	103,694	15,555
Net Increase (Decrease) in Cash and Cash Equivalents						
	1,629,781	677,037	56,195	(974,474)	1,388,539	(50,878,359)
Cash and Cash Equivalents - Beginning of year	10,992,821	2,640,416	621,417	10,365,527	24,620,181	75,498,540
Cash and Cash Equivalents - End of year	\$ 12,622,602	\$ 3,317,453	\$ 677,612	\$ 9,391,053	\$ 26,008,720	\$ 24,620,181
Classification of Cash and Cash Equivalents						
Cash and investments	\$ 7,397,308	\$ 2,821,978	\$ 677,612	\$ 4,313,417	\$ 15,210,315	\$ 15,908,418
Restricted cash	5,225,294	495,475	-	5,077,636	10,798,405	8,711,763
Total cash and cash equivalents	\$ 12,622,602	\$ 3,317,453	\$ 677,612	\$ 9,391,053	\$ 26,008,720	\$ 24,620,181

**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, 2018
(with comparative totals for 2017)**

	2018					2017
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	\$ 4,144,054	\$ (96,536)	\$ 43,459	\$ 4,700,265	\$ 8,791,242	\$ 2,590,801
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation and amortization	5,523,926	861,471	30,226	5,319,061	11,734,684	8,343,403
Changes in assets and liabilities:						
Receivables	(102,776)	(87,958)	(55,134)	317,975	72,107	(2,042,326)
Local communities construction in progress	(370,445)	-	-	-	(370,445)	-
Prepaid and other assets	151,199	22,381	3,077	148,635	325,292	105,935
Net pension and OPEB liability	189,582	(258,854)	18,726	901,197	850,651	2,379,815
Accounts payable and accrued expense	125,377	703,438	12,828	(5,592,803)	(4,751,160)	516,156
Accrued and other liabilities	-	-	-	-	-	199,797
Total adjustments	<u>5,516,863</u>	<u>1,240,478</u>	<u>9,723</u>	<u>1,094,065</u>	<u>7,861,129</u>	<u>9,502,780</u>
Net cash and cash equivalents provided by operating activities	\$ 9,660,917	\$ 1,143,942	\$ 53,182	\$ 5,794,330	\$ 16,652,371	\$ 12,093,581

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

**Other Supplemental Information
Statement of Net Position
Internal Service Fund (Equipment Fund)**

December 31, 2018

(with comparative totals for 2017)

	2018	2017
Assets		
Current assets - Cash and cash equivalents	\$ -	\$ 135,563
Noncurrent assets - Capital assets - Assets subject to depreciation -		
Net of depreciation	<u>1,397,959</u>	<u>1,574,479</u>
Total assets	1,397,959	1,710,042
Liabilities	<u>-</u>	<u>-</u>
Net Position		
Net investment in capital assets	1,397,959	1,574,479
Unrestricted	<u>-</u>	<u>135,563</u>
Total net position	<u>\$ 1,397,959</u>	<u>\$ 1,710,042</u>

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

**Other Supplemental Information
Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Fund (Equipment Fund)**

**Year Ended December 31, 2018
(with comparative totals for 2017)**

	2018	2017
Revenue	\$ -	\$ -
Operating Expenses		
Supplies	73,056	72,816
Depreciation	248,632	285,472
Total operating expenses	<u>321,688</u>	<u>358,288</u>
Operating Loss	<u>(321,688)</u>	<u>(358,288)</u>
Nonoperating Revenue - Gain on sale of assets	<u>9,605</u>	<u>-</u>
Change in Net Position		
Net Position - Beginning of year	<u>1,710,042</u>	<u>2,068,330</u>
Net Position - End of year	<u>\$ 1,397,959</u>	<u>\$ 1,710,042</u>

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

**Other Supplemental Information
Statement of Cash Flows
Internal Service Fund (Equipment Fund)**

**Year Ended December 31, 2018
(with comparative totals for 2017)**

	2018	2017
Cash Flows Used in Operating Activities - Payments to suppliers and others for goods and services	\$ (73,056)	\$ (79,297)
Cash Flows from Capital and Related Financing Activities		
Proceeds from sale of capital assets	9,605	-
Purchase of capital assets	<u>(72,112)</u>	<u>(98,296)</u>
Net cash and cash equivalents used in capital and related financing activities	<u>(62,507)</u>	<u>(98,296)</u>
Net Decrease in Cash and Cash Equivalents	(135,563)	(177,593)
Cash and Cash Equivalents - Beginning of year	<u>135,563</u>	<u>313,156</u>
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ 135,563</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (321,688)	\$ (358,288)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	248,632	285,472
Changes in assets and liabilities - Accounts payable	<u>-</u>	<u>(6,481)</u>
Total adjustments	<u>248,632</u>	<u>278,991</u>
Net cash and cash equivalents used in operating activities	<u>\$ (73,056)</u>	<u>\$ (79,297)</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding <u>January 1, 2018</u>	Issued During <u>the Year</u>	Retired During <u>the Year</u>	Principal Outstanding <u>December 31, 2018</u>	2019		2020	
					Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
<u>Genesee County Drain Commissioner Bonds Payable:</u>								
Series 2003 \$9,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Western Trunk Relief project. Due serially in various amounts ranging from \$350,000 to \$2,350,000 through 2018 with interest rates from 2.00% to 4.50%	560,000	-	(560,000)	-				
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%	10,860,000	-	(1,130,000)	9,730,000	1,150,000	158,113.00	1,170,000	139,425.00
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%	7,600,000	-	(790,000)	6,810,000	805,000	104,122.00	815,000	90,959.00
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%	1,525,000	-	(140,000)	1,385,000	145,000	22,506.00	145,000	20,150.00
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%	4,160,000	-	(385,000)	3,775,000	395,000	61,344.00	400,000	54,925.00
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%	2,340,000	-	(215,000)	2,125,000	220,000	34,531.00	225,000	30,956.00
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%	6,190,000	-	(520,000)	5,670,000	525,000	87,872.00	535,000	79,259.00

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

**Summary of Bonds Payable
Year Ended December 31, 2018**

2021		2022		2023		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,185,000	120,413.00	1,205,000	101,156.00	1,225,000	81,575.00	3,795,000	123,988.00	9,730,000	724,670.00
830,000	77,594.00	845,000	63,984.00	860,000	50,131.00	2,655,000	65,204.00	6,810,000	451,994.00
150,000	17,794.00	150,000	15,356.00	155,000	12,919.00	640,000	26,243.00	1,385,000	114,968.00
405,000	48,425.00	410,000	41,844.00	420,000	35,181.00	1,745,000	71,418.00	3,775,000	313,137.00
230,000	27,300.00	230,000	23,563.00	235,000	19,825.00	985,000	40,300.00	2,125,000	176,475.00
545,000	70,484.00	555,000	61,547.00	560,000	52,488.00	2,950,000	121,469	5,670,000	473,119

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2018	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2018	2019		2020	
					Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
Genesee County Drain Commissioner Bonds Payable:								
Series 2009A \$15,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Due serially and term amounts ranging from \$475,000 to \$1,150,000 through 2029 with interest rates from 2.75% to 5.00%	675,000	-	(675,000)	-				
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%	9,811,023	-	(645,000)	9,166,023	675,000	229,151.00	675,000	212,276.00
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%	1,085,000	-	(65,000)	1,020,000	65,000	25,500.00	70,000	23,875.00
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%	4,460,000	-	(250,000)	4,210,000	260,000	178,988.00	270,000	169,525.00
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	15,890,000	-	(545,000)	15,345,000	1,260,000	320,710.50	1,310,000	294,376.50
Total Genesee County Drain Commission bonds payable	65,156,023	-	(5,920,000)	59,236,023	5,500,000	1,222,837.50	5,615,000	1,115,726.50
Community-related Bonds Payable:								
Refunding Series 2005 \$2,900,000 County of Genesee Limited Tax General Obligation Bonds. Refunded Series 1999, \$3,800,000 Bonds for Mt. Morris Township Sanitary Sewer System project. Due serially in amounts ranging from \$15,000 to \$315,000 through 2019 with interest rates from 4.00% to 4.25%	615,000	-	(300,000)	315,000	315,000	6,694.00		
Series 2006 \$3,665,000 County of Genesee Limited Tax General Obligation Bonds for Community Western Trunk Extension Sewer Phase II project. Due serially in amounts ranging from \$110,000 to \$285,000 through 2026 with interest rates from 4.00% to 4.35%. Partial defeasance May 2017	755,000	-	(755,000)	-				
Total Community-related bonds payable	1,370,000	-	(1,055,000)	315,000	315,000	6,694.00	-	-
Total Interceptor and Treatment Facilities bonds payable	\$ 66,526,023	\$ -	\$ (6,975,000)	\$ 59,551,023	\$ 5,815,000	\$ 1,229,531.50	\$ 5,615,000	\$ 1,115,726.50

Summary of Bonds Payable (Continued)
Year Ended December 31, 2018

2021		2022		2023		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
710,000	195,401.00	710,000	177,651.00	745,000	159,901.00	5,651,023	578,057.00	9,166,023	1,552,437.00
70,000	22,125.00	75,000	20,375.00	75,000	18,500.00	665,000	77,000.00	1,020,000	187,375.00
270,000	158,725.00	290,000	147,525.00	290,000	135,925.00	2,830,000	573,332.00	4,210,000	1,364,020.00
1,360,000	266,997.50	1,380,000	238,573.50	1,425,000	209,731.50	8,610,000	611,116	15,345,000	1,941,505.50
5,755,000	1,005,258.50	5,850,000	891,574.50	5,990,000.00	776,176.50	30,526,023	2,288,127.00	59,236,023	7,299,700.50
								315,000	6,694.00
-	-	-	-	-	-	-	-	315,000	6,694.00
\$ 5,755,000	\$ 1,005,259	\$ 5,850,000	\$ 891,574.50	\$ 5,990,000	\$ 776,176.50	\$ 30,526,023	\$ 2,288,127.00	\$ 59,236,023	\$ 7,306,394.50

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2018	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2018	2019	2020	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%	\$ 765,000	\$ -	\$ (50,000)	\$ 715,000	50,000	17,875.00	55,000	16,625.00		
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%	\$ 3,905,000		\$ (335,000)	\$ 3,570,000	355,000	72,599.50	360,000	64,949.00		
Total Genesee County Drain Commission bonds payable	4,670,000	-	(385,000)	4,285,000	405,000	90,474.50	415,000	81,574.00		
Community-related Bonds Payable:										
Refunding Series 2007 \$5,615,000 County of Genesee Limited Tax General Obligation Bonds. Partially refunded Series 1998, \$7,140,000 Bonds for City of Fenton, Fenton Township, and City of Linden Sewage Disposal System project. Due serially in amounts ranging from \$20,000 to \$915,000 through 2019 with an interest rate of 4.00%	1,820,000	-	(915,000)	905,000	905,000	18,100.00				
Total Community-related bonds payable	1,820,000	-	(915,000)	905,000	905,000	18,100.00	-	-		
Total District No. 3 bonds payable	\$ 6,490,000	\$ -	\$ (1,300,000)	\$ 5,190,000	\$ 1,310,000	\$ 108,574.50	\$ 415,000	\$ 81,574.00		

Summary of Bonds Payable (Continued)
Year Ended December 31, 2018

2021		2022		2023		Later		Total			
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
						\$	-	\$	-		
55,000	15,250.00	55,000	13,875.00	55,000	12,500.00	\$	445,000	45,625.00	\$	715,000	121,750.00
375,000	57,084.50	385,000	48,952.50	395,000	40,606.50	\$	1,700,000	73,616.00	\$	3,570,000	357,808.00
430,000	72,334.50	440,000	62,827.50	450,000	53,106.50	\$	2,145,000	119,241.00	\$	4,285,000	479,558.00
											0.00
											905,000
											18,100.00
\$ 430,000	\$ 72,334.50	\$ 440,000	\$ 62,827.50	\$ 450,000	\$ 53,106.50	\$ 2,145,000	\$ 119,241.00	\$ 5,190,000	\$ 497,658.00		

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2018	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2018	2019		2020	
					Principal	Interest	Principal	Interest
Water Supply Systems								
Genesee County Drain Commissioner Bonds Payable:								
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%	31,810,000	-	(900,000)	30,910,000	935,000.00	1,591,587.50	975,000	1,554,187.50
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%	26,540,000	-	(1,345,000)	25,195,000	1,410,000.00	1,111,287.50	1,475,000	1,040,787.50
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	60,000,000	-	(605,000)	59,395,000	625,000.00	2,622,943.76	670,000	2,590,568.76
Series 2016A \$5,680,000 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%	4,780,126	148,401	-	4,928,527	220,000.00	120,463.18	195,000.00	115,275.68
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	56,750,000		(600,000)	56,150,000	600,000.00	2,515,281.26	620,000.00	2,484,781.26
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%	10,500,000		(360,000)	10,140,000	430,000.00	281,837.50	435,000.00	276,428.75
Total Genesee County Drain Commission bonds payable	190,380,126	148,401	(3,810,000)	186,718,527	4,220,000	8,243,400.70	4,370,000.00	8,062,029.45

Summary of Bonds Payable (Continued)
Year Ended December 31, 2018

2021		2022		2023		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,020,000	1,505,437.50	1,075,000	1,454,437.50	1,125,000	1,400,687.50	25,780,000	12,129,493.78	30,910,000	19,635,831.28
1,560,000	967,037.50	1,640,000	889,037.50	1,735,000	807,037.50	17,375,000	3,531,918.76	25,195,000	8,347,106.26
705,000	2,556,193.76	740,000	2,520,068.76	770,000	2,482,318.76	55,885,000	34,102,134.46	59,395,000	46,874,228.26
200,000.00	110,338.18	205,000.00	105,275.68	210,000.00	100,088.18	3,898,527	775,966.11	4,928,527	1,327,407.01
640,000.00	2,453,281.26	670,000.00	2,420,531.26	700,000.00	2,386,281.26	52,920,000	35,265,809.49	56,150,000	47,525,965.79
440,000.00	270,082.50	445,000.00	262,667.50	455,000.00	253,998.75	7,935,000	2,005,820.00	10,140,000	3,350,835.00
4,565,000.00	7,862,370.70	4,775,000.00	7,652,018.20	4,995,000	7,430,411.95	163,793,527	87,811,142.60	186,718,527	127,061,373.60

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2018	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2018	2019		2020	
					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%	699,265	-	(45,000)	654,265	45,000.00	15,794.00	45,000	14,669.00
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%	944,307		(40,000)	904,307	45,000.00	22,607.68	45,000	21,482.68
Total Community-related bonds payable	1,643,572	-	(85,000)	1,558,572	90,000	38,401.68	90,000	36,151.68
Total Water Supply Systems bonds payable	<u>\$ 192,023,698</u>	<u>\$ 148,401</u>	<u>\$ (3,895,000)</u>	<u>\$ 188,277,099</u>	<u>\$ 4,310,000</u>	<u>\$ 8,281,802.38</u>	<u>\$ 4,460,000</u>	<u>\$ 8,098,181.13</u>
Total Genesee County Drain Commission bonds payable	\$ 260,206,149	\$ 148,401	\$ (10,115,000)	\$ 250,239,550	\$ 10,125,000	9,556,712.70	10,400,000	9,259,329.95
Total Community-related bonds payable	4,833,572	-	(2,055,000)	2,778,572	1,310,000	63,195.68	90,000	36,151.68
Total - All bonds payable	<u>\$ 265,039,721</u>	<u>\$ 148,401</u>	<u>\$ (12,170,000)</u>	<u>\$ 253,018,122</u>	<u>\$ 11,435,000</u>	<u>\$ 9,619,908.38</u>	<u>\$ 10,490,000</u>	<u>\$ 9,295,481.63</u>

Summary of Bonds Payable (Continued)
Year Ended December 31, 2018

2021		2022		2023		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
45,000	13,544.00	45,000	12,419.00	50,000	11,232.00	424,265	43,801.00	654,265	111,459.00
45,000	20,357.68	45,000	19,232.68	50,000	18,107.68	674,307	114,042.16	904,307	215,830.56
90,000	33,901.68	90,000	31,651.68	100,000	29,339.68	1,098,572	157,843.16	1,558,572	327,289.56
\$ 4,655,000	\$ 7,896,272.38	\$ 4,865,000	\$ 7,683,669.88	5,095,000	\$ 7,459,751.63	\$ 164,892,099	\$ 87,968,985.76	\$ 188,277,099	\$ 127,388,663.16
10,750,000	8,939,963.70	11,065,000	8,606,420.20	11,435,000	8,259,694.95	\$ 196,464,550	90,218,510.60	\$ 250,239,550	134,840,632.10
90,000	33,901.68	90,000	31,651.68	100,000	29,339.68	1,098,572	157,843.16	2,778,572	352,083.56
\$ 10,840,000	\$ 8,973,865.38	\$ 11,155,000	\$ 8,638,071.88	\$ 11,535,000	\$ 8,289,034.63	\$ 197,563,122	\$ 90,376,353.76	\$ 253,018,122	\$ 135,192,715.66