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

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**Financial Report  
with Supplementary Information  
December 31, 2023**

# Genesee County Drain Commissioner

## Division of Water and Waste Services

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## **Independent Auditor's Report**

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

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the Enterprise Fund, business-type activities, discretely presented component unit, and aggregate remaining fund information of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division"), a component unit of Genesee County, Michigan, as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Enterprise Fund, business-type activities, discretely presented component unit, and aggregate remaining fund information of the Division as of December 31, 2023 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Division's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

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

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

***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Report on Summarized Comparative Information***

We have previously audited the Division's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 17, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2024 on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

June 7, 2024

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

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### **Management's Discussion and Analysis**

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

#### **Primary Objectives and Oversight**

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

#### **Responsibilities**

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

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

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

**Management's Discussion and Analysis (Continued)**

**Operations Departments** – The Sewer group and the Water group have the primary functions of sanitary sewer collection and transportation, and water transmission and distribution, respectively. They also perform contracted operations and maintenance for certain local communities. As part of ensuring that these primary functions are met, the Sewer and Water groups routinely perform the following tasks:

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

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### Management's Discussion and Analysis (Continued)

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

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

The Division also manages a program that impacts its treatment facilities:

- **Industrial Pretreatment Program** - The Division regulates and monitors industrial and nondomestic dischargers to the wastewater system. The Division reviews applications, issues discharge permits, verifies compliance, calculates fees and surcharge bills for the customers, and enforces regulations through discharge permits, which protect the wastewater treatment facilities and the environment. An arsenic program for drinking water systems was implemented to ensure compliance with MDEQ regulations. The ordinance also allows for best management practices (BMP) in regulating silver and mercury from over 450 physician and dental offices and grease and oil from approximately 1,100 restaurants. Inter-jurisdictional agreements and the sewer use ordinance have been distributed to the municipalities that discharge into the Division's systems, and the local unit of government approval process is ongoing. At this time, there are 14 significant industrial facilities, and four categorical users that pay surcharges for the cost of treating various substances they discharge to the Division.

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

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### Management's Discussion and Analysis (Continued)

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

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

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

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

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

### **Rate Structure**

During 2023, the Division maintained water rates at prior year levels. Approved sewer rate increases for ARTP & Districts 3 and 7 took effect in January 2022. Water rates contain both a readiness to serve component and a commodity charge. For sewer customers who are also water customers, charges are likewise based on both a readiness to serve component as well as a commodity charge for metered usage. Sewer customers who are on private wells are non-metered, and therefore pay a flat rate charge each month.

### **Karegnondi Water Authority**

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

### **Using this Annual Report**

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

# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Management's Discussion and Analysis (Continued)

#### Condensed Financial Information

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

	December 31		Increase (Decrease)	Percent Change
	2023	2022		
<b>Assets</b>				
Current assets	\$ 56,003,166	\$ 45,412,762	\$ 10,590,404	23.3 %
Restricted assets	16,449,691	34,999,931	(18,550,240)	(53.0)
Noncurrent installment purchase receivable and other noncurrent assets	32,838,220	34,462,220	(1,624,000)	(4.7)
Capital assets	<u>439,739,878</u>	<u>403,066,526</u>	<u>36,673,352</u>	9.1
Total assets	545,030,955	517,941,439	27,089,516	5.2
<b>Deferred Outflows of Resources</b>	15,717,859	12,655,897	3,061,962	24.2
<b>Liabilities</b>				
Current liabilities	18,679,940	6,843,287	11,836,653	173.0
Liabilities payable from restricted assets	8,692,250	14,865,747	(6,173,497)	(41.5)
Other noncurrent liabilities	58,570,288	51,038,338	7,531,950	14.8
Long-term debt	<u>229,704,869</u>	<u>232,084,571</u>	<u>(2,379,702)</u>	(1.0)
Total liabilities	315,647,347	304,831,943	10,815,404	3.5
<b>Deferred Inflows of Resources</b>	9,053,626	15,985,769	(6,932,143)	(43.4)
<b>Net Position</b>				
Net investment in capital assets	236,962,154	212,318,089	24,644,065	11.6
Restricted	1,220,223	6,629,496	(5,409,273)	(81.6)
Unrestricted	<u>(2,134,536)</u>	<u>(9,167,961)</u>	<u>7,033,425</u>	76.7
Total net position	<u>\$ 236,047,841</u>	<u>\$ 209,779,624</u>	<u>\$ 26,268,217</u>	12.5

  

	Year Ended December 31		Increase (Decrease)	Percent Change
	2023	2022		
Revenue from operations	\$ 82,941,662	\$ 87,035,121	\$ (4,093,459)	(4.7) %
Interest on operating cash and receivables	<u>2,642,876</u>	<u>868,402</u>	<u>1,774,474</u>	204.3
Total revenue	85,584,538	87,903,523	(2,318,985)	(2.6)
Sludge disposal charges	1,699,750	2,210,825	(511,075)	(23.1)
Cost of water	16,231,895	17,409,244	(1,177,349)	(6.8)
Operating and maintenance expense	34,599,047	33,690,897	908,150	2.7
Administrative and depreciation expense	<u>14,888,457</u>	<u>14,478,000</u>	<u>410,457</u>	2.8
Total operating expenses	67,419,149	67,788,966	(369,817)	(0.5)
Other nonoperating revenue (expense)	<u>(6,293,683)</u>	<u>(7,242,995)</u>	<u>949,312</u>	(13.1)
Change in net position - Before capital contributions	11,871,706	12,871,562	(999,856)	(7.8)
Capital contributions	14,396,511	5,926,344	8,470,167	142.9
Change in net position	26,268,217	18,797,906	7,470,311	39.7
Net Position - Beginning of year	209,779,624	190,981,718	18,797,906	9.8
Net Position - End of year	<u>\$ 236,047,841</u>	<u>\$ 209,779,624</u>	<u>\$ 26,268,217</u>	12.5

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

### **Management's Discussion and Analysis (Continued)**

#### **Major Capital Assets and Debt Activity**

The Interceptor and Treatment cost center closed on a \$25,955,000 Clean Water State Revolving Fund 1.875% 20-year bond in December 2022. Funds from this CWSRF bond began to be received by the Division on a draw basis for certain qualifying expenditures in 2023. \$10,501,673 was drawn during 2023 with the remainder scheduled to be drawn down in 2024. These funds are being used to construct a biosolids digester at the ARTP wastewater treatment plant. The digester is a central component of a Solids Handling project that will also include a Combined Heat/Power (CHP) generation facility and equipment. The Digester and CHP facilities will allow the ARTP plant to reduce the amount of biosolids requiring landfill disposal while also providing a majority of the heat and electricity needed for operation of the treatment plant.

The Water System completed a planned refunding of the Series 2013 Water Supply System Revenue bonds with Series 2023 Water Supply System Revenue Refunding Bonds. Net present value savings of \$3,167,506 amounted to a 12.29% savings of bonds refunded. Maturities were not extended.

The Water System also closed on a \$6,978,750 Drinking Water State Revolving Fund 1.875% 20-year bond in September 2023. These funds began to be drawn down in 2024 and are being used to partially fund drinking water service to new areas in Fenton Township and the City of Linden, and as such, each of these communities has guaranteed and are obligated to make all debt service payments on a pass thru basis via the Division. Parts of this new service are already online with the full City of Linden expected to be serviced by the Division by the end of the year. These areas are or were previously served by either individual or community well systems.

The Division pays for these, and other annual debt service, through the operating rates charged to users of the system, restricted County Capital Improvement Fees (CCIF) and installment purchase receivables from other governmental entities. Additionally, the Division utilized approximately \$7,223,000 million of Coronavirus State and Local Fiscal Recovery Funds and \$5,000,000 Michigan Public Service Commission Funds on various Water and Sewer construction projects in 2023. Although CCIF is intended to cover certain outstanding bond issuances, it is not sufficient on an annual basis to cover the debt service, and is therefore subsidized by operating revenue. This underfunding was considered in the initial planning of the CCIF program. CCIF will continue to be collected after retirement of the related bonds to reconstitute the fund in full.

#### **Financial Review**

Highlights of significant financial activity during 2023 include:

#### **Statement of Net Position**

- Current assets increased approximately \$10.6M to approximately \$56.0M.
- Current liabilities increased by approximately \$11.8M to approximately \$18.7M.
- Combined unrestricted net position improved by about \$7.0M to end at approximately a negative \$2.1M. This negative unrestricted net position continues to be primarily attributable to pension and OPEB liabilities.

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

### **Statement of Revenue, Expenses, and Changes in Net Position**

- Overall operating revenue decreased by approximately \$4.1M (4.7 percent) in 2023. Water sales were down just over \$4M, primarily due to Great Lakes Water Authority and the City of Flint water volumes returning to normal levels after a year of both planned and emergency service during 2022.
- Investment income was up significantly for a second year in a row to \$2,642,876 from a strong \$868,402 the year before. This elevated investment income continues to be due to higher interest rate levels.
- Operating expenses decreased \$0.4M or 0.5 percent. Cost of water decreased by over \$1.0M due to both lower volume and a lower raw water rate from the Karegnondi Water Authority. Most other operating expense categories were fairly steady, although inflationary pressures are still having an adverse impact on parts of the operation.
- Yearly depreciation expenses were nearly constant due to construction projects still in progress and not yet being depreciated. A number of projects will be completed in 2024 and 2025 which will result in an increase to this non-cash line item.

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>2023</u>	<u>2022</u>
Total revenue from I&T customers	\$ 33,362,666	\$ 33,370,192
Total flow (thousands of gallons)	10,448,900	9,872,950
Revenue per thousands of gallons treated	\$ 3.19	\$ 3.38

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

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### Management's Discussion and Analysis (Continued)

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

	<u>Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Total revenue from water sales	\$ 41,139,605	\$ 45,183,308
Volume of water purchased (cu. ft.) by Division	593,073,744	809,910,274
Volume of water sold (cu. ft.) by Division	550,641,405	781,783,171
Water efficiency rate	93%	96%
Revenue per 100 cu. ft. of water sold	\$ 7.47	\$ 5.78

### 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, 2023

	Primary Government	Component Unit - September 30, 2023
	Enterprise Fund	Karegnondi Water Authority
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,448,818	\$ 12,420,480
Receivables:		
Receivables from sales to customers on account	15,849,635	-
Due from other governments	8,367,557	149,037
Current portion of installment purchase receivable (Note 9)	1,185,000	-
Prepaid expenses and other assets	1,152,156	804
Total current assets	56,003,166	12,570,321
Noncurrent assets:		
Restricted assets (Notes 1 and 3)	16,449,691	37,299,320
Installment purchase receivable - Net of current portion (Note 9)	27,579,572	-
Due from other governmental units	5,258,648	-
Capital assets: (Note 4)		
Assets not subject to depreciation	64,635,392	454,527
Assets subject to depreciation - Net	375,104,486	300,159,870
Total noncurrent assets	489,027,789	337,913,717
Total assets	545,030,955	350,484,038
<b>Deferred Outflows of Resources</b>		
Bond refunding loss being amortized	142,088	-
Deferred outflows related to pensions (Note 6)	13,114,938	-
Deferred OPEB costs (Note 7)	2,460,833	-
Total deferred outflows of resources	15,717,859	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	10,830,356	617,314
Advance from primary government - Current (Note 10)	400,000	-
Current portion of long-term debt (Note 5)	7,449,584	-
Total current liabilities	18,679,940	617,314
Noncurrent liabilities:		
Advance from primary government - Noncurrent (Note 10)	1,200,000	-
Payable from restricted assets	8,692,250	13,921,355
Installment purchase interest payable	-	5,258,648
Net pension liability (Note 6)	32,299,048	-
Net OPEB liability (Note 7)	25,071,240	-
Long-term debt - Net of current portion (Note 5)	229,704,869	286,825,394
Total noncurrent liabilities	296,967,407	306,005,397
Total liabilities	315,647,347	306,622,711
<b>Deferred Inflows of Resources</b>		
Deferred benefit on bond refunding	135,814	-
Deferred pension cost reductions (Note 6)	2,244,122	-
Deferred OPEB cost reductions (Note 7)	6,673,690	-
Total deferred inflows of resources	9,053,626	-
<b>Net Position</b>		
Net investment in capital assets	236,962,154	24,717,205
Restricted for debt service	1,220,223	11,912,426
Unrestricted	(2,134,536)	7,231,696
Total net position	\$ 236,047,841	\$ 43,861,327

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

**Statement of Revenue, Expenses, and Changes in Net Position**

**Year Ended December 31, 2023**

	Primary Government	Component Unit - Year Ended September 30, 2023
	Enterprise Fund	Karegnondi Water Authority
<b>Operating Revenue</b>		
Sale of water	\$ 41,139,605	\$ 1,665,469
Sewage disposal charges	38,026,306	-
Billing services	147,030	-
Water meter sales	256,240	-
Sewer and pumping station - Operation and maintenance	1,484,736	-
Other operating revenue	1,887,745	-
Total operating revenue	82,941,662	1,665,469
<b>Operating Expenses</b>		
Cost of water	16,231,895	-
Sludge disposal service	1,699,750	-
Cost of insurance claims and expenses	1,172,307	31,992
Repairs and maintenance	4,003,755	76,233
Other supplies and expenses	2,898,722	90,834
Contractual services	1,605,179	427,740
Utilities	4,793,144	594,966
Personnel services	22,903,426	-
Depreciation	12,110,971	5,558,517
Total operating expenses	67,419,149	6,780,282
<b>Operating Income (Loss)</b>	15,522,513	(5,114,813)
<b>Nonoperating Revenue (Expense)</b>		
Investment income - Net	2,642,876	1,987,379
Gain on sale of assets	110,789	-
Community bond interest income	1,080,700	-
Community bond interest expense	(1,080,700)	-
Capacity/Debt service fee	-	21,565,464
Miscellaneous income	1,429,192	35,495
Interest and fiscal charges	(7,738,776)	(13,251,783)
Nonoperating expense - Community construction projects	(94,888)	-
Total nonoperating (expense) revenue	(3,650,807)	10,336,555
<b>Income - Before capital contributions</b>	11,871,706	5,221,742
<b>Capital Contributions</b>		
Capital contributed by federal and state grants	12,222,725	-
Capital contributions	2,173,786	-
Total capital contributions	14,396,511	-
<b>Change in Net Position</b>	26,268,217	5,221,742
<b>Net Position - Beginning of year</b>	209,779,624	38,639,585
<b>Net Position - End of year</b>	<b>\$ 236,047,841</b>	<b>\$ 43,861,327</b>

# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Statement of Cash Flows

Year Ended December 31, 2023

	Primary Government	Component Unit - Year Ended September 30, 2023
	Enterprise Fund	Karegnondi Water Authority
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 81,699,970	\$ 1,778,797
Payments to suppliers and others for goods and services	(32,253,045)	(987,189)
Payments for salaries and employee benefits	(24,891,245)	-
Net cash and cash equivalents provided by operating activities	24,555,680	791,608
<b>Cash Flows from Capital and Related Financing Activities</b>		
Other debt financing activities	(774,099)	-
Collection of installment purchase receivable from communities	100,000	-
Collection of interest from communities	29,339	-
Principal and interest paid on community debt	(129,339)	-
Collection of installment purchase receivable from KWA	1,564,000	-
Collection of interest from KWA	1,090,476	-
Principal paid on bond and note maturities	(12,141,172)	(7,520,000)
Interest paid on bonds and notes	(9,074,036)	(14,472,674)
Proceeds from issuance of debt	36,862,066	-
Repayments to primary government	(400,000)	-
Refunded debt - Amounts paid to escrow agent	(25,780,000)	-
Purchase of capital assets	(43,488,525)	(274,000)
Proceeds from sales of capital assets	110,789	-
Federal and state grant contributions	9,934,973	-
Capital contributions from communities	471,888	-
Community construction project expense	(157,384)	-
Miscellaneous revenue	1,415,718	35,495
Capacity/Debt service fee	-	21,565,464
Net cash and cash equivalents used in capital and related financing activities	(40,365,306)	(665,715)
<b>Cash Flows Provided by Investing Activities - Investment income</b>	2,642,876	1,987,379
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(13,166,750)	2,113,272
<b>Cash and Cash Equivalents - Beginning of year</b>	59,065,259	47,606,528
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 45,898,509</b>	<b>\$ 49,719,800</b>
<b>Classification of Cash and Cash Equivalents</b>		
Cash and investments	\$ 29,448,818	\$ 12,420,480
Restricted cash	16,449,691	37,299,320
Total cash and cash equivalents	<b>\$ 45,898,509</b>	<b>\$ 49,719,800</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ 15,522,513	\$ (5,114,813)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	12,110,971	5,558,517
Changes in assets and liabilities:		
Receivables	(1,241,692)	-
Due from other governmental units	-	113,328
Prepaid and other assets	(34,952)	11,280
Net pension and OPEB liability	(2,219,653)	-
Accounts payable and accrued expense	418,493	223,296
Total adjustments	9,033,167	5,906,421
Net cash and cash equivalents provided by operating activities	<b>\$ 24,555,680</b>	<b>\$ 791,608</b>
<b>Significant Noncash Transactions - Capital contributions</b>	\$ 27,127	\$ -

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

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**Statement of Fiduciary Net Position**

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**December 31, 2023**

	OPEB Fiduciary Trust
	<hr/>
<b>Assets</b> - Interest in pooled investments	<b>\$ 33,419,866</b>
	<hr/>
<b>Net Position</b> - Restricted - Postemployment benefits other than pension	<b>\$ 33,419,866</b>
	<hr/>

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

**Statement of Changes in Fiduciary Net Position**

**Year Ended December 31, 2023**

	<u>OPEB Fiduciary Trust</u>
<b>Additions</b>	
Investment income	\$ 3,407,037
Contributions	<u>3,424,424</u>
Total additions	6,831,461
<b>Deductions</b>	
Benefit payments	1,624,424
Administrative expenses	<u>61,104</u>
Total deductions	<u>1,685,528</u>
<b>Net Increase in Fiduciary Net Position</b>	5,145,933
<b>Net Position - Beginning of year</b>	<u>28,273,933</u>
<b>Net Position - End of year</b>	<u><u>\$ 33,419,866</u></u>

**December 31, 2023**

## **Note 1 - Significant Accounting Policies**

### ***Accounting and Reporting Principles***

Genesee County Drain Commissioner Division of Water and Waste Services (the "Division" or Water and Waste Services), a component unit of Genesee County, Michigan, follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies used by the Division:

### ***Reporting Entity***

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

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

Included within the reporting entity are the following:

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

### ***Discretely Presented Component Unit***

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

### ***Karegnondi Water Authority***

The Karegnondi Water Authority (the "Authority" or KWA) was created to construct a water supply line in Lake Huron and transport that water to its treatment facilities east of Genesee County. The Authority's governing body consists of 15 individuals, of which 8 are currently directly or indirectly appointed by the Drain Commissioner. In addition, these board members may be removed at the discretion of the Drain Commissioner. The appointment of board members is subject to change in the future, as additional water supply contracts are entered into or capacity units are redistributed. Complete financial reports can be obtained at the Authority's administrative offices at 4610 Beecher Road, Flint, MI 48532. KWA reports its activities on a fiscal year ending September 30. The KWA column included in these financial statements, therefore, is as of and for the year ended September 30, 2023.

**December 31, 2023**

**Note 1 - Significant Accounting Policies (Continued)**

***OPEB Fiduciary Trust***

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

***Report Presentation***

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

***Fund Accounting***

**Proprietary Funds**

The Division reports the following major proprietary fund:

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

**Fiduciary Funds**

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

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

***Basis of Accounting***

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

***Specific Balances and Transactions***

**Cash and Cash Equivalents**

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

**Investments**

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

**Receivables and Payables**

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

**Prepaid Items**

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

**Note 1 - Significant Accounting Policies (Continued)**

**Restricted Assets**

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

**Installment Purchase Receivable**

Installment purchase receivable consists of amounts due to the Division from various municipalities and the component unit, Karegnondi Water Authority, for construction activity. The Division constructs assets for various municipalities under Act 342. Under this act, the County issues bonds and constructs assets on behalf of municipalities. These assets are then leased by the municipalities over the lives of the bonds. Payments approximate the debt service requirements of the associated bonds. At December 31, 2023, installment purchase receivables include \$27,666,000 from the Karegnondi Water Authority and \$1,098,572 from other municipalities. See Note 9 for amounts receivable from Karegnondi Water Authority.

**Capital Assets**

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

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

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

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

**Community Construction Projects**

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

**December 31, 2023**

**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 pensions and OPEB costs (see Notes 6 and 7 for detail), as well as deferred charges related to advance refundings of bond issues.

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

The Division reports deferred inflows related to pensions and OPEB (see Notes 6 and 7 for detail) that will reduce future year pension expense, as well as deferred benefits related to advance refundings of bond issues.

**Net Position**

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

**Net Position Flow Assumption**

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

**December 31, 2023**

**Note 1 - Significant Accounting Policies (Continued)**

**Pension**

The Division offers a defined benefit pension plan to its employees. The Division records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Genesee County Employees Retirement System (GCERS) pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Other Postemployment Benefit Costs**

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

**Compensated Absences (Vacation and Personal Leave)**

It is the Division's policy to permit employees to accumulate earned but unused vacation and personal pay benefits. Personal pay is accrued for the estimated amount that the Division will pay upon retirement or separation. A total of 80 hours of personal leave is granted each year. Nonunion employees are paid up to 200 hours at current salary upon retirement or separation. Union employees are paid up to 112 hours at current salary upon retirement or separation. 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, 2023, the Division has recorded a liability of approximately \$830,000 for accumulated vacation and personal leave.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Enterprise Fund is charges to customers for sales and services. The Enterprise Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

December 31, 2023

## **Note 1 - Significant Accounting Policies (Continued)**

### **Use of Estimates**

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

### **Upcoming Accounting Pronouncements**

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. The statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Division's financial statements for the year ending December 31, 2024.

In December 2023, the Government Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the primary government or other reporting units that report a liability for revenue debt vulnerable to the risk of substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date of the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Division's financial statements for the year ending December 31, 2025.

## **Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The OPEB Fiduciary Trust fund is authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

**December 31, 2023**

**Note 2 - Deposits and Investments (Continued)**

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

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Division's deposits may not be returned to it. The Division does not have a deposit policy for custodial credit risk. At year end, the Division had bank deposits of \$1,484,639 (checking and savings accounts) that were uninsured and uncollateralized. Bank deposits of \$260,007 were insured, and \$0 was collateralized. The Division believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits.

For the year ended September 30, 2023, Karegnondi Water Authority had \$559,931 (checking and savings accounts) that was not fully insured or collateralized.

***Interest Rate Risk***

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

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

***Credit Risk***

As of December 31, 2023, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
MI CLASS investment pool - The Division	\$ 45,774,668	AAAm	S&P
MI CLASS investment pool - Component unit	48,595,757	AAAm	S&P

***Concentration of Credit Risk***

The Division places no limit on the amount it may invest in any one issuer. At December 31, 2023, all of the Division's investments are in MI CLASS investment pool.

***Fair Value Measurements***

The Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Division's investment in the MERS Total Market Portfolio (\$33,419,866) is valued at net asset value. The Division's investment in the MI CLASS investment pool (\$45,774,668) is valued at net asset value. The component unit's investment in the MI CLASS investment pool (\$48,595,757) is valued at net asset value. At December 31, 2023, there were no unfunded commitments or redemption restrictions.

December 31, 2023

**Note 2 - Deposits and Investments (Continued)**

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

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

**Note 3 - Restricted Assets**

At December 31, 2023, restricted assets are composed of the following:

Description	Enterprise Fund	Component Unit - KWA
Unspent bond proceeds and related interest	\$ 8,031,952	\$ -
Unspent bond proceeds held by the County	100,000	66,667
General obligation and revenue bond restrictions:		
Debt reserve/redemption	8,317,739	21,871,872
Capacity/Debt service fee for debt service	-	15,360,781
Total	<u>\$ 16,449,691</u>	<u>\$ 37,299,320</u>

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

Net position has been restricted for \$1,220,223 and \$11,912,426 for the Division and KWA, respectively, related to the restricted assets held for debt service, net of the related payable.

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 4 - Capital Assets**

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

***Proprietary Funds***

	Balance January 1, 2023	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2023
<b>Enterprise Fund</b>					
Capital assets not being depreciated:					
Land	\$ 2,967,351	\$ -	\$ 383,852	\$ -	\$ 3,351,203
Construction in progress	16,053,442	(957,937)	46,204,740	(16,056)	61,284,189
Subtotal	19,020,793	(957,937)	46,588,592	(16,056)	64,635,392
Capital assets being depreciated:					
Distribution and collections system	502,970,287	-	342,956	-	503,313,243
Buildings and equipment	37,612,597	957,937	739,916	(478,766)	38,831,684
Vehicles	3,439,854	-	1,128,915	(361,112)	4,207,657
Subtotal	544,022,738	957,937	2,211,787	(839,878)	546,352,584
Accumulated depreciation:					
Distribution and collections system	143,397,992	-	10,059,932	-	153,457,924
Buildings and equipment	14,220,909	-	1,700,454	(478,766)	15,442,597
Vehicles	2,358,104	-	350,585	(361,112)	2,347,577
Subtotal	159,977,005	-	12,110,971	(839,878)	171,248,098
Net capital assets being depreciated	384,045,733	957,937	(9,899,184)	-	375,104,486
Net Enterprise Fund capital assets	<u>\$ 403,066,526</u>	<u>\$ -</u>	<u>\$ 36,689,408</u>	<u>\$ (16,056)</u>	<u>\$ 439,739,878</u>

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 4 - Capital Assets (Continued)**

Capital asset activity for the Division's component unit, KWA, for the year ended September 30, 2023 was as follows:

**Component Unit**

	Balance October 1, 2022	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2023
Capital assets not being depreciated - Construction in progress	\$ 180,527	\$ -	\$ 274,000	\$ -	\$ 454,527
Capital assets being depreciated - Water pipeline	333,450,158	-	-	-	333,450,158
Accumulated depreciation	27,731,771	-	5,558,517	-	33,290,288
Net capital assets being depreciated	305,718,387	-	(5,558,517)	-	300,159,870
Net capital assets	\$ 305,898,914	\$ -	\$ (5,284,517)	\$ -	\$ 300,614,397

**Construction Commitments**

The Division has active construction projects at year end, which include improvements and extensions to the water and sewage disposal systems. The Division has spent \$74,219,323 to date and has \$29,079,080 remaining on outstanding contracts.

The component unit, KWA, has spent \$427,525 and had significant construction commitments of \$1,392,055 at September 30, 2023.

**Note 5 - Long-term Debt**

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

**Business-type Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements					
Interceptor and Treatment Revenue Bond, Series 2005A	\$ 5,020,000	\$ -	\$ (1,225,000)	\$ 3,795,000	\$ 1,245,000
Interceptor and Treatment Revenue Bond, Series 2005B	3,515,000	-	(860,000)	2,655,000	870,000
Interceptor and Treatment Revenue Bond, Series 2006A	795,000	-	(155,000)	640,000	155,000
Interceptor and Treatment Revenue Bond, Series 2006B	2,165,000	-	(420,000)	1,745,000	425,000

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 5 - Long-term Debt (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Interceptor and Treatment Revenue Bond, Series 2006C	\$ 1,220,000	\$ -	\$ (235,000)	\$ 985,000	\$ 240,000
Interceptor and Treatment Revenue Bond, Series 2007	3,510,000	-	(560,000)	2,950,000	570,000
Interceptor and Treatment Revenue Bond, Refunding Series 2017	10,035,000	-	(1,425,000)	8,610,000	1,465,000
Interceptor and Treatment Revenue Bond, Series 2010A	6,396,023	-	(745,000)	5,651,023	745,000
Interceptor and Treatment Revenue Bond, Series 2011A	740,000	-	(75,000)	665,000	75,000
Interceptor and Treatment Revenue Bond, Series 2020A	13,220,000	-	(290,000)	12,930,000	320,000
Interceptor and Treatment Revenue Bond, Series 2022B	-	10,501,673	-	10,501,673	-
Revenue bond, Series 2020A Bond premium	1,734,494	-	(96,361)	1,638,133	-
Sewage Disposal Revenue Bond, Series 2010A	500,000	-	(55,000)	445,000	60,000
Installment Purchase Agreement - 2021 Vactor	120,232	-	(120,232)	-	-
Installment Purchase Agreement - Excavator	50,940	-	(50,940)	-	-
Sewage Disposal Revenue Bond, Refunding Series 2017	2,095,000	-	(395,000)	1,700,000	410,000
Water Supply System Revenue Bond, Series 2016A	4,103,354	-	(205,000)	3,898,354	210,000
Water Supply System Revenue Bond, Series 2017A	8,390,000	-	(455,000)	7,935,000	465,000
Water Supply System Revenue Bond, Series 2011	474,265	-	(50,000)	424,265	50,000
Water Supply System Revenue Bond, Series 2015	724,307	-	(50,000)	674,307	50,000
Water Supply Systems Revenue Bond, Refunding Series 2023	-	23,695,000	(300,000)	23,395,000	1,085,000
Water Supply Systems Revenue Bond, Refunding Series 2023 premium	-	2,665,393	(166,587)	2,498,806	-

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 5 - Long-term Debt (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Total direct borrowings and direct placements principal outstanding	\$ 64,808,615	\$ 36,862,066	\$ (7,934,120)	\$ 93,736,561	\$ 8,440,000
Other debt					
Water Supply System Revenue Bond, Series 2013	26,905,000	-	(26,905,000)	-	-
Water Supply System Revenue Bond, Series 2013 Bond premium	404,518	-	(404,518)	-	-
Water Supply System Revenue Bond, Series 2014	19,110,000	-	(1,735,000)	17,375,000	1,825,000
Water Supply System Revenue Bond, Series 2014 Bond premium	923,161	-	(76,931)	846,230	-
Water Supply System Limited Tax Bond, Series 2015	56,655,000	-	(770,000)	55,885,000	775,000
Water Supply System Limited Tax Bond, Series 2015 Bond premium	1,811,149	-	(78,746)	1,732,403	-
Water Supply System Limited Tax Bond, Series 2016	53,620,000	-	(700,000)	52,920,000	765,000
Water Supply System Limited Tax Bond, Series 2016 Bond premium	5,194,692	-	(216,445)	4,978,247	-
Interceptor and Treatment Revenue Bond, Series 2022	13,150,000	-	(240,000)	12,910,000	245,000
Revenue Bond, Series 2022 Bond premium	1,443,608	-	(72,180)	1,371,428	-
Total other debt principal outstanding	179,217,128	-	(31,198,820)	148,018,308	3,610,000
Total business-type activities long-term debt	<u>\$ 244,025,743</u>	<u>\$ 36,862,066</u>	<u>\$ (39,132,940)</u>	<u>\$ 241,754,869</u>	<u>\$ 12,050,000</u>

**Genesee County Drain Commissioner**  
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**Notes to Financial Statements**

**December 31, 2023**

**Note 5 - Long-term Debt (Continued)**

**Component Unit**

	Beginning Balance October 1, 2022	Additions	Reductions	Ending Balance September 30, 2023	Due within One Year
Bonds and contracts payable:					
Direct borrowings - Installment purchase obligation	\$ 30,305,000	\$ -	\$ (1,214,000)	\$ 29,091,000	\$ 1,425,000
Other debt - Bond	259,000,000	-	(6,445,000)	252,555,000	6,760,000
Unamortized bond premiums	14,007,671	-	(643,277)	13,364,394	-
Total component unit long-term debt	<u>\$ 303,312,671</u>	<u>\$ -</u>	<u>\$ (8,302,277)</u>	<u>\$ 295,010,394</u>	<u>\$ 8,185,000</u>

A total of \$4,600,416 of the \$12,050,000 due within one year for the Division is included in payable from restricted assets on the statement of net position. Karegnondi Water Authority debt due within one year of \$8,185,000 at September 30, 2023 is included in payable from restricted assets on the statement of net position.

Total interest expense for the Division for the year was \$9,033,035. Total interest expense for KWA for the year was \$13,894,310.

**Debt Service Requirements to Maturity**

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

Years Ending December 31	Business-type Activities					Component Unit Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Other Debt		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2024	\$ 8,440,000	\$ 2,842,827	\$ 3,610,000	\$ 6,153,012	\$ 21,045,839	\$ 6,760,000	\$ 12,714,237	\$ 19,474,237
2025	8,660,000	2,635,516	3,810,000	5,970,012	21,075,528	7,105,000	12,367,613	19,472,613
2026	8,860,000	2,420,322	4,000,000	5,776,388	21,056,710	7,460,000	12,003,487	19,463,487
2027	7,475,000	2,197,642	4,380,000	5,595,125	19,647,767	7,830,000	11,621,238	19,451,238
2028	6,375,000	1,992,566	4,575,000	5,397,563	18,340,129	8,220,000	11,211,893	19,431,893
2029-2033	21,592,288	7,388,262	26,355,000	23,606,291	78,941,841	47,980,000	49,009,863	96,989,863
2034-2038	22,010,661	3,293,947	29,250,000	17,664,972	72,219,580	61,525,000	35,143,381	96,668,381
2039-2043	5,505,000	308,358	41,335,000	9,633,375	56,781,733	79,155,000	17,058,694	96,213,694
2044-2046	681,673	6,374	21,775,000	1,330,125	23,793,172	26,520,000	1,283,000	27,803,000
Total	<u>\$ 89,599,622</u>	<u>\$ 23,085,814</u>	<u>\$ 139,090,000</u>	<u>\$ 81,126,863</u>	<u>\$ 332,902,299</u>	<u>\$ 252,555,000</u>	<u>\$ 162,413,406</u>	<u>\$ 414,968,406</u>

**Advance Bond Refunding**

During the year, the Division issued \$23,695,000 in revenue bonds with a coupon interest rates of 5.00 percent. A portion of the proceeds of these bonds were used to advance refund \$25,780,000 of outstanding revenue bonds with coupon interest rate ranging from 5.00 to 5.375 percent. As a result, the bonds are considered to be defeased, and the liability for the bonds has been removed from long-term debt. The advance refunding reduced total debt service payments over the next 15 years by \$4,113,206, which represents an economic gain of approximately \$3,163,438.

**December 31, 2023**

**Note 6 - Pension Plan**

***Plan Description***

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

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

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

***Benefits Provided***

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

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

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

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

**December 31, 2023**

**Note 6 - Pension Plan (Continued)**

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	Genesee County Employees Retirement Plan
Date of member count	December 31, 2022
Inactive plan members or beneficiaries currently receiving benefits	125
Inactive plan members entitled to but not yet receiving benefits	9
Active plan members	158
	<hr/>
Total employees covered by the plan	292
	<hr/>

***Contributions***

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, GCERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the GCERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2023, nonunion employees contributed 7.0 percent of annual pay and union employees contributed 8.2 percent of annual pay, and the Division's prescribed actuarial contribution rate was 29.04 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, 2023 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, 2022 measurement date. The December 31, 2022 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 6 - Pension Plan (Continued)**

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
<b>Balance at January 1, 2022</b>	\$ 84,654,965	\$ 64,296,193	\$ 20,358,772
Changes for the year:			
Service cost	1,804,255	-	1,804,255
Interest	5,887,189	-	5,887,189
Differences between expected and actual experience	42,638	-	42,638
Contributions - Employer	-	2,748,115	(2,748,115)
Contributions - Employee	-	850,191	(850,191)
Net investment loss	-	(7,741,467)	7,741,467
Benefit payments, including refunds	(4,713,034)	(4,713,034)	-
Administrative expenses	-	(63,033)	63,033
Net changes	3,021,048	(8,919,228)	11,940,276
<b>Balance at December 31, 2022</b>	<u>\$ 87,676,013</u>	<u>\$ 55,376,965</u>	<u>\$ 32,299,048</u>

The plan's fiduciary net position represents 63.2 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, 2023, the Division recognized pension expense of \$3,127,154.

At December 31, 2023, 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	\$ 940,357	\$ (1,000,291)
Changes in assumptions	2,604,469	(1,243,831)
Net difference between projected and actual earnings on pension plan investments	5,950,510	-
Employer contributions to the plan subsequent to the measurement date	3,619,601	-
Total	<u>\$ 13,114,937</u>	<u>\$ (2,244,122)</u>

**December 31, 2023**

**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):

<u>Years Ending December 31</u>	<u>Amount</u>
2024	\$ 603,930
2025	2,155,446
2026	2,076,033
2027	2,408,117
2028	6,990
Thereafter	698

***Actuarial Assumptions***

The total pension liability in the December 31, 2022 actuarial valuation was determined using an inflation assumption of 3.00 percent; assumed salary increases (including inflation) of 2.50 to 8.50 percent, which include across-the-board increases, along with merit and longevity increases that range from 1.00 percent up to 6.00 percent; an investment rate of return (net of administrative and investment expenses) of 7.00 percent; and the Pub-2010 Mortality Table with generational mortality improvements using Scale MP-2021.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that division contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

***Projected Cash Flows***

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

December 31, 2023

**Note 6 - Pension Plan (Continued)**

***Investment Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The nominal long-term expected rate of return for the plan as a whole was 7.00 percent. The target allocation by class is as follows:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities active or passive - Large cap	22.00 %	4.10 %
U.S. equities active or passive - Small/Mid cap	20.00	4.55
Non-U.S. equities	15.00	4.64
Domestic fixed income	18.00	1.05
Real estate	18.00	3.54
Direct lending	5.00	4.68
Cash equivalents	2.00	-

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

The following presents the net pension liability of the Division, calculated using the discount rate of 7.00 percent, as well as what the Division's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability of the Division	\$ 42,617,068	\$ 32,299,048	\$ 23,627,442

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 7 - Other Postemployment Benefit Plan**

***Plan Description***

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

***Benefits Provided***

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

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 7 - Other Postemployment Benefit Plan (Continued)**

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

	OPEB Plan
Date of member count	December 31, 2023
Inactive plan members or beneficiaries currently receiving benefits	114
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	167
Total plan members	285

***Contributions***

The Division establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2023, the Division's contribution was \$3,424,424. 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, 2023 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, 2023 measurement date. The December 31, 2023 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
<b>Balance at January 1, 2023</b>	\$ 57,353,499	\$ 28,273,933	\$ 29,079,566
Changes for the year:			
Service cost	1,253,845	-	1,253,845
Interest	3,959,888	-	3,959,888
Differences between expected and actual experience	(1,601,522)	-	(1,601,522)
Changes in assumptions	(850,180)	-	(850,180)
Contributions - Employer	-	3,424,424	(3,424,424)
Net investment income	-	3,368,057	(3,368,057)
Benefit payments, including refunds	(1,624,424)	(1,624,424)	-
Administrative expenses	-	(22,124)	22,124
Net changes	1,137,607	5,145,933	(4,008,326)
<b>Balance at December 31, 2023</b>	<u>\$ 58,491,106</u>	<u>\$ 33,419,866</u>	<u>\$ 25,071,240</u>

The Plan's fiduciary net position represents 57.1 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, 2023, the Division recognized OPEB expense of \$1,697,215.

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 7 - Other Postemployment Benefit Plan (Continued)**

At December 31, 2023, 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	\$ 484,000	\$ (3,666,897)
Changes in assumptions	835,898	(3,006,793)
Net difference between projected and actual earnings on OPEB plan investments	1,140,935	-
Total	<u>\$ 2,460,833</u>	<u>\$ (6,673,690)</u>

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
2024	\$ (1,142,287)
2025	(780,540)
2026	(801,840)
2027	(706,013)
2028	(431,933)
Thereafter	(350,244)

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.50 percent; an investment rate of return (net of investment expenses) of 6.85 percent; a health care cost trend rate of 7.25 percent for 2023, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2034 and later years; and the PubG-2010 mortality tables with the gender-specific MP-2021 improvement scale. These assumptions were applied to all periods included in the measurement.

**Discount Rate**

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

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

December 31, 2023

**Note 7 - Other Postemployment Benefit Plan (Continued)**

***Investment Rate of Return***

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2023 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

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

***Rates of Return***

For the year ended December 31, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was a gain of 11.64 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

	1 Percentage Point Decrease (5.85%)	Current Discount Rate (6.85%)	1 Percentage Point Increase (7.85%)
Net OPEB liability of the Plan	\$ 33,587,892	\$ 25,071,240	\$ 18,134,923

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

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

	1 Percentage Point Decrease (6.25-3.50%)	Current Health Care Cost Trend Rate (7.25-4.50%)	1 Percentage Point Increase (8.25-5.50%)
Net OPEB liability of the Plan	\$ 17,762,850	\$ 25,071,240	\$ 34,186,632

December 31, 2023

## Note 7 - Other Postemployment Benefit Plan (Continued)

### *OPEB Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

### *Assumption Changes*

For the December 31, 2023 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 scale and expected premium rates.

## Note 8 - Risk Management

The Division is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Division is partially self-insured for medical, dental, and vision benefits and has purchased commercial insurance for life, disability, workers' compensation, and general liability insurance. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

	2023	2022
Unpaid claims - Beginning of year	\$ 376,566	\$ 193,681
Incurred claims, including claims incurred but not reported	4,711,890	4,735,386
Claim payments	(4,682,451)	(4,552,501)
Unpaid claims - End of year	<u>\$ 406,005</u>	<u>\$ 376,566</u>

## Note 9 - Related Party Transactions

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

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

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

**Notes to Financial Statements**

**December 31, 2023**

**Note 9 - Related Party Transactions (Continued)**

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

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

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

2024	\$	2,254,750
2025		2,255,500
2026		2,253,500
2027		2,253,750
2028		2,256,000
2029 - 2033		11,267,250
2034 - 2038		11,265,750
2039 - 2042		<u>7,583,648</u>
Total minimum installment purchase payments		41,390,148
Less amount representing interest		<u>(13,724,148)</u>
Present value	\$	<u>27,666,000</u>

**Note 10 - Interfund Receivables, Payables, and Transfers**

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

Receivable	Payable	Amount
Primary government - Genesee County Delinquent Tax Revolving	Component unit - Water and Waste Services	\$ 1,600,000

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

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## Required Supplementary Information

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

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

**Last Nine Fiscal Years by Measurement Date Ended December 31**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service cost	\$ 1,804,255	\$ 1,676,303	\$ 1,669,276	\$ 1,442,869	\$ 1,574,305	\$ 1,663,146	\$ 1,541,981	\$ 879,564	\$ 792,297
Interest	5,887,189	5,708,924	5,335,071	5,209,790	4,697,036	4,270,786	4,014,166	4,017,471	3,903,244
Changes in benefit terms	-	665,453	-	-	-	-	-	-	-
Differences between expected and actual experience	42,638	(1,526,760)	1,073,176	2,939	513,990	2,589,458	(2,164,986)	(50,724)	(1,552,139)
Changes in assumptions	-	381,565	1,423,494	4,290,237	(3,731,291)	(5,212,701)	(2,560,324)	12,131,977	1,720,622
Benefit payments, including refunds	(4,713,034)	(4,260,558)	(4,074,004)	(3,847,561)	(3,782,708)	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	-	-	-	-	-	205,519	-
<b>Net Change in Total Pension Liability</b>	3,021,048	2,644,927	5,427,013	7,098,274	(728,668)	(275,391)	(2,705,689)	13,708,851	1,433,184
<b>Total Pension Liability - Beginning of year</b>	84,654,965	82,010,038	76,583,025	69,484,751	70,213,419	70,488,810	73,194,499	59,485,648	58,052,464
<b>Total Pension Liability - End of year</b>	<b>\$ 87,676,013</b>	<b>\$ 84,654,965</b>	<b>\$ 82,010,038</b>	<b>\$ 76,583,025</b>	<b>\$ 69,484,751</b>	<b>\$ 70,213,419</b>	<b>\$ 70,488,810</b>	<b>\$ 73,194,499</b>	<b>\$ 59,485,648</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 2,748,115	\$ 2,911,289	\$ 3,161,632	\$ 2,836,790	\$ 2,023,100	\$ 1,751,177	\$ 1,642,376	\$ 1,608,830	\$ 1,434,116
Contributions - Member	850,191	780,575	778,926	737,752	784,389	613,544	571,224	573,221	491,212
Net investment (loss) income	(7,741,467)	8,144,259	4,514,653	8,136,295	(986,785)	5,008,597	3,287,118	519,442	2,799,943
Administrative expenses	(63,033)	(59,753)	(58,483)	(50,862)	(48,930)	(61,061)	(39,153)	(46,313)	(45,417)
Benefit payments, including refunds	(4,713,034)	(4,260,558)	(4,074,004)	(3,847,561)	(3,782,708)	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	-	-	-	-	(7,976)	56,737	-
<b>Net Change in Plan Fiduciary Net Position</b>	(8,919,228)	7,515,812	4,322,724	7,812,414	(2,010,934)	3,726,177	1,917,063	(763,039)	1,249,014
<b>Plan Fiduciary Net Position - Beginning of year</b>	64,296,193	56,780,381	52,457,657	44,645,243	46,656,177	42,930,000	41,012,937	41,775,976	40,526,962
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 55,376,965</b>	<b>\$ 64,296,193</b>	<b>\$ 56,780,381</b>	<b>\$ 52,457,657</b>	<b>\$ 44,645,243</b>	<b>\$ 46,656,177</b>	<b>\$ 42,930,000</b>	<b>\$ 41,012,937</b>	<b>\$ 41,775,976</b>
<b>Division's Net Pension Liability - Ending</b>	<b>\$ 32,299,048</b>	<b>\$ 20,358,772</b>	<b>\$ 25,229,657</b>	<b>\$ 24,125,368</b>	<b>\$ 24,839,508</b>	<b>\$ 23,557,242</b>	<b>\$ 27,558,810</b>	<b>\$ 32,181,562</b>	<b>\$ 17,709,672</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	63.16 %	75.95 %	69.24 %	68.50 %	64.25 %	66.45 %	60.90 %	56.03 %	70.23 %
<b>Covered Payroll</b>	\$ 10,537,158	\$ 10,697,074	\$ 10,259,512	\$ 10,288,609	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806	\$ 7,331,367
<b>Division's Net Pension Liability as a Percentage of Covered Payroll</b>	306.53 %	190.32 %	245.91 %	234.49 %	255.30 %	266.84 %	335.60 %	406.81 %	241.56 %

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

**Required Supplementary Information**  
**Schedule of Pension Contributions**

<b>Last Ten Fiscal Years</b>										
<b>Years Ended December 31</b>										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 3,381,902	\$ 2,759,682	\$ 2,590,831	\$ 2,604,890	\$ 2,623,595	\$ 1,863,204	\$ 1,430,189	\$ 1,330,325	\$ 1,456,379	\$ 1,491,452
Contributions in relation to the actuarially determined contribution	3,619,601	2,784,359	2,903,763	3,075,352	2,880,810	2,059,753	1,767,501	1,642,376	1,608,830	1,491,452
<b>Contribution Excess</b>	<b>\$ 237,699</b>	<b>\$ 24,677</b>	<b>\$ 312,932</b>	<b>\$ 470,462</b>	<b>\$ 257,215</b>	<b>\$ 196,549</b>	<b>\$ 337,312</b>	<b>\$ 312,051</b>	<b>\$ 152,451</b>	<b>\$ -</b>
<b>Covered Payroll</b>	<b>\$ 11,645,669</b>	<b>\$ 10,537,158</b>	<b>\$ 10,697,074</b>	<b>\$ 10,259,512</b>	<b>\$ 10,288,609</b>	<b>\$ 9,729,524</b>	<b>\$ 8,828,330</b>	<b>\$ 8,211,886</b>	<b>\$ 7,910,806</b>	<b>\$ 7,331,367</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>31.08 %</b>	<b>26.42 %</b>	<b>27.15 %</b>	<b>29.98 %</b>	<b>28.00 %</b>	<b>21.17 %</b>	<b>20.02 %</b>	<b>20.00 %</b>	<b>20.34 %</b>	<b>20.34 %</b>

**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, 2023 were determined based on the actuarial valuation as of December 31, 2021. The most recent valuation is as of December 31, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	25 years, closed
Asset valuation method	4-year smoothed market
Inflation	3.00 percent
Salary increase	2.50 - 8.50 percent, based on age
Investment rate of return	7.10 percent
Retirement age	60
Mortality	Pub-2010 Mortality Table with generational mortality improvements using Scale MP-2021
Other information	None

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

Required Supplementary Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Six Fiscal Years					
	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 1,253,845	\$ 1,136,249	\$ 1,288,077	\$ 2,209,934	\$ 1,842,757	\$ 1,704,537
Interest	3,959,888	3,843,709	4,093,333	3,834,523	3,360,952	3,422,903
Differences between expected and actual experience	(1,601,522)	(698,114)	(2,751,757)	176,618	1,769,329	(4,016,485)
Changes in assumptions	(850,180)	126,282	(4,393,104)	(117,584)	3,231,351	(297,879)
Benefit payments, including refunds	(1,624,424)	(1,629,451)	(1,671,413)	(1,303,522)	(1,771,982)	(1,644,402)
<b>Net Change in Total OPEB Liability</b>	1,137,607	2,778,675	(3,434,864)	4,799,969	8,432,407	(831,326)
<b>Total OPEB Liability - Beginning of year</b>	57,353,499	54,574,824	58,009,688	53,209,719	44,777,312	45,608,638
<b>Total OPEB Liability - End of year</b>	<b>\$ 58,491,106</b>	<b>\$ 57,353,499</b>	<b>\$ 54,574,824</b>	<b>\$ 58,009,688</b>	<b>\$ 53,209,719</b>	<b>\$ 44,777,312</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 3,424,424	\$ 2,629,451	\$ 3,171,413	\$ 3,103,522	\$ 3,571,982	\$ 4,081,875
Net investment income (loss)	3,368,057	(3,259,696)	3,648,413	2,986,550	2,334,545	(625,911)
Benefit payments, including refunds	(1,624,424)	(1,629,451)	(1,671,413)	(1,303,522)	(1,771,982)	(1,644,402)
Administrative expenses	(22,124)	(20,063)	(20,102)	(15,221)	(13,159)	(38,594)
<b>Net Change in Plan Fiduciary Net Position</b>	5,145,933	(2,279,759)	5,128,311	4,771,329	4,121,386	1,772,968
<b>Plan Fiduciary Net Position - Beginning of year</b>	28,273,933	30,553,692	25,425,381	20,654,052	16,532,666	14,759,698
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 33,419,866</b>	<b>\$ 28,273,933</b>	<b>\$ 30,553,692</b>	<b>\$ 25,425,381</b>	<b>\$ 20,654,052</b>	<b>\$ 16,532,666</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 25,071,240</b>	<b>\$ 29,079,566</b>	<b>\$ 24,021,132</b>	<b>\$ 32,584,307</b>	<b>\$ 32,555,667</b>	<b>\$ 28,244,646</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	57.14 %	49.30 %	55.98 %	43.83 %	38.82 %	36.92 %
<b>Covered-employee Payroll</b>	\$ 12,254,380	\$ 11,184,636	\$ 10,891,983	\$ 10,436,899	\$ 10,568,064	\$ 10,167,151
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	204.59 %	260.00 %	220.54 %	312.20 %	308.06 %	277.80 %

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

**Required Supplementary Information**  
**Schedule of OPEB Contributions**

Last Ten Fiscal Years										
Years Ended December 31										
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 2,984,547	\$ 2,563,887	\$ 3,166,701	\$ 3,533,187	\$ 3,042,002	\$ 3,033,990	\$ 2,845,372	\$ 2,715,562	\$ 3,554,246	\$ 2,523,914
Contributions in relation to the actuarially determined contribution	3,424,424	2,629,451	3,171,413	3,103,522	3,571,982	4,081,875	3,260,251	3,087,627	3,006,763	3,742,617
Contribution Excess (Deficiency)	<u>\$ 439,877</u>	<u>\$ 65,564</u>	<u>\$ 4,712</u>	<u>\$ (429,665)</u>	<u>\$ 529,980</u>	<u>\$ 1,047,885</u>	<u>\$ 414,879</u>	<u>\$ 372,065</u>	<u>\$ (547,483)</u>	<u>\$ 1,218,703</u>
Covered-employee Payroll	\$ 12,254,380	\$ 11,184,636	\$ 10,891,983	\$ 10,436,899	\$ 10,568,064	\$ 10,167,151	\$ 9,397,507	\$ 8,244,365	\$ 8,163,418	\$ 7,092,691
Contributions as a Percentage of Covered-employee Payroll	27.94 %	23.51 %	29.12 %	29.74 %	33.80 %	40.15 %	34.69 %	37.45 %	36.83 %	52.77 %

**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, 2023 were determined based on the actuarial valuation as of December 31, 2022.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	26 years
Asset valuation method	Market
Inflation	2.50 percent
Health care cost trend rates	7.25 percent (5.50 for Medicare), graded down 0.25 percent to 4.50 percent
Investment rate of return	6.85 percent, net of plan investment expense
Retirement age	60
Mortality	PubG-2010 Mortality Table with MP-2020
Other information	None

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

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

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	<b>Last Six Fiscal Years</b>					
	<b>Years Ended December 31</b>					
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Annual money-weighted rate of return, net of investment expense	11.64 %	(10.42)%	14.09 %	13.29 %	13.52 %	(3.62)%

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

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**Notes to Required Supplementary Information**

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**December 31, 2023**

***Pension Information***

**Changes in Assumptions**

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

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

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

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

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

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

***OPEB Information***

**Changes in Assumptions**

In 2023, there were assumption changes related to expected premium rates and mortality scale utilized, which resulted in a decrease to the total OPEB liability.

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

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

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

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

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

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## Other Supplementary Information

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# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Other Supplementary Information

### Combining Statement of Net Position

### Enterprise Fund Divisional Detail

December 31, 2023

(with comparative totals for 2022)

	2023					2022
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 9,057,910	\$ 6,670,653	\$ 866,541	\$ 12,853,714	\$ 29,448,818	\$ 24,065,328
Receivables:						
Receivables from sales to customers on account	7,274,359	1,266,654	209,165	7,099,457	15,849,635	14,575,259
Due from other governments	5,000,000	86,456	-	3,281,101	8,367,557	4,463,360
Current portion of installment purchase receivable	-	-	-	1,185,000	1,185,000	1,225,000
Prepaid expenses and other assets	301,588	40,533	6,984	803,051	1,152,156	1,083,815
Total current assets	21,633,857	8,064,296	1,082,690	25,222,323	56,003,166	45,412,762
Noncurrent assets:						
Restricted assets	11,607,218	297,177	-	4,545,296	16,449,691	34,999,931
Installment purchase receivable - Net of current portion	-	-	-	27,579,572	27,579,572	29,203,572
Due from other governmental units	-	-	-	5,258,648	5,258,648	5,258,648
Capital assets - Net	224,289,991	21,843,918	287,605	193,318,364	439,739,878	403,066,526
Total noncurrent assets	235,897,209	22,141,095	287,605	230,701,880	489,027,789	472,528,677
Total assets	257,531,066	30,205,391	1,370,295	255,924,203	545,030,955	517,941,439
<b>Deferred Outflows of Resources</b>						
Bond refunding loss being amortized	132,886	2,767	-	6,435	142,088	163,774
Deferred outflows related to pensions	6,853,067	1,392,262	331,423	4,538,186	13,114,938	7,900,358
Deferred OPEB costs	1,173,690	251,030	42,575	993,538	2,460,833	4,591,765
Total deferred outflows of resources	8,159,643	1,646,059	373,998	5,538,159	15,717,859	12,655,897
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	7,668,751	414,874	41,350	2,705,381	10,830,356	5,047,115
Advance from primary government - Current	400,000	-	-	-	400,000	400,000
Current portion of long-term debt	4,265,000	181,667	-	3,002,917	7,449,584	1,396,172
Total current liabilities	12,333,751	596,541	41,350	5,708,298	18,679,940	6,843,287
Noncurrent liabilities:						
Advance from primary government - Noncurrent	1,200,000	-	-	-	1,200,000	1,600,000
Payable from restricted assets	3,952,972	297,177	-	4,442,101	8,692,250	14,865,747
Net pension liability	16,884,612	3,432,899	808,395	11,173,142	32,299,048	20,358,772
Net OPEB liability	11,957,670	2,557,522	433,776	10,122,272	25,071,240	29,079,566
Long-term debt - Net of current portion	60,692,257	1,675,000	-	167,337,612	229,704,869	232,084,571
Total noncurrent liabilities	94,687,511	7,962,598	1,242,171	193,075,127	296,967,407	297,988,656
Total liabilities	107,021,262	8,559,139	1,283,521	198,783,425	315,647,347	304,831,943
<b>Deferred Inflows of Resources</b>						
Deferred benefit on bond refunding	-	-	-	135,814	135,814	-
Deferred pension cost reductions	1,164,364	232,652	45,038	802,068	2,244,122	9,462,265
Deferred OPEB cost reductions	3,183,002	680,784	115,465	2,694,439	6,673,690	6,523,504
Total deferred inflows of resources	4,347,366	913,436	160,503	3,632,321	9,053,626	15,985,769
<b>Net Position</b>						
Net investment in capital assets	164,395,023	19,990,018	287,605	52,289,508	236,962,154	212,318,089
Restricted - Debt service	1,220,223	-	-	-	1,220,223	6,629,496
Unrestricted	(11,293,165)	2,388,857	12,664	6,757,108	(2,134,536)	(9,167,961)
Total net position	\$ 154,322,081	\$ 22,378,875	\$ 300,269	\$ 59,046,616	\$ 236,047,841	\$ 209,779,624

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

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

**Year Ended December 31, 2023**  
**(with comparative totals for 2022)**

	2023					2022
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
<b>Operating Revenue</b>						
Sale of water	\$ -	\$ -	\$ -	\$ 41,139,605	\$ 41,139,605	\$ 45,183,308
Sewage disposal charges	31,025,205	5,864,885	1,136,216	-	38,026,306	37,794,292
Billing services	147,030	-	-	-	147,030	146,631
Water meter sales	-	-	-	256,240	256,240	237,825
Sewer and pumping station - Operation and maintenance	1,484,736	-	-	-	1,484,736	1,502,378
Other operating revenue	705,695	250,249	7,072	924,729	1,887,745	1,821,437
Operating revenue - Federal grants	-	-	-	-	-	349,250
<b>Total operating revenue</b>	<b>33,362,666</b>	<b>6,115,134</b>	<b>1,143,288</b>	<b>42,320,574</b>	<b>82,941,662</b>	<b>87,035,121</b>
<b>Operating Expenses</b>						
Cost of water	-	-	-	16,231,895	16,231,895	17,409,244
Sludge disposal service	1,240,332	326,977	119	132,322	1,699,750	2,210,825
Cost of insurance claims and expenses	388,645	115,295	21,710	646,657	1,172,307	1,046,055
Repairs and maintenance	2,175,776	468,771	118,836	1,240,372	4,003,755	3,998,612
Other supplies and expenses	1,282,001	103,870	59,496	1,453,355	2,898,722	2,777,344
Contractual services	842,668	72,570	4,031	685,910	1,605,179	1,295,861
Utilities	2,953,851	495,268	216,542	1,127,483	4,793,144	4,650,473
Personnel services	10,610,859	2,876,397	570,276	8,845,894	22,903,426	22,264,468
Depreciation	6,012,106	876,012	28,667	5,194,186	12,110,971	12,136,084
<b>Total operating expenses</b>	<b>25,506,238</b>	<b>5,335,160</b>	<b>1,019,677</b>	<b>35,558,074</b>	<b>67,419,149</b>	<b>67,788,966</b>
<b>Operating Income</b>	<b>7,856,428</b>	<b>779,974</b>	<b>123,611</b>	<b>6,762,500</b>	<b>15,522,513</b>	<b>19,246,155</b>
<b>Nonoperating Revenue (Expense)</b>						
Investment income - Net	1,452,408	337,356	39,597	813,515	2,642,876	868,402
Gain on sale of assets	75,950	4,500	-	30,339	110,789	-
Community bond interest income	-	-	-	1,080,700	1,080,700	1,476,569
Community bond interest expense	-	-	-	(1,080,700)	(1,080,700)	(1,476,569)
Miscellaneous income	458,500	414,444	-	556,248	1,429,192	774,701
Interest and fiscal charges	(1,777,898)	(52,871)	-	(5,908,007)	(7,738,776)	(7,671,906)
Nonoperating expense - Community construction projects	-	(60,560)	-	(34,328)	(94,888)	(345,790)
<b>Total nonoperating revenue (expense)</b>	<b>208,960</b>	<b>642,869</b>	<b>39,597</b>	<b>(4,542,233)</b>	<b>(3,650,807)</b>	<b>(6,374,593)</b>
<b>Income - Before capital contributions</b>	<b>8,065,388</b>	<b>1,422,843</b>	<b>163,208</b>	<b>2,220,267</b>	<b>11,871,706</b>	<b>12,871,562</b>
<b>Capital Contributions</b>						
Capital contributed by federal and state grants	5,300,000	-	-	6,922,725	12,222,725	4,786,417
Capital contributions	27,127	86,456	19,210	2,040,993	2,173,786	1,139,927
<b>Change in Net Position</b>	<b>13,392,515</b>	<b>1,509,299</b>	<b>182,418</b>	<b>11,183,985</b>	<b>26,268,217</b>	<b>18,797,906</b>
<b>Net Position - Beginning of year</b>	<b>140,929,566</b>	<b>20,869,576</b>	<b>117,851</b>	<b>47,862,631</b>	<b>209,779,624</b>	<b>190,981,718</b>
<b>Net Position - End of year</b>	<b>\$ 154,322,081</b>	<b>\$ 22,378,875</b>	<b>\$ 300,269</b>	<b>\$ 59,046,616</b>	<b>\$ 236,047,841</b>	<b>\$ 209,779,624</b>

# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Other Supplementary Information

### Combining Statement of Cash Flows

### Enterprise Fund Divisional Detail

**Year Ended December 31, 2023**  
**(with comparative totals for 2022)**

	2023					2022
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
<b>Cash Flows from Operating Activities</b>						
Receipts from customers	\$ 33,024,938	\$ 5,949,903	\$ 1,370,359	\$ 41,354,770	\$ 81,699,970	\$ 88,676,105
Payments to suppliers and others for goods and services	(8,857,508)	(1,439,812)	(412,540)	(21,543,185)	(32,253,045)	(33,763,264)
Payments for salaries and employee benefits	(12,331,949)	(2,733,805)	(582,254)	(9,243,237)	(24,891,245)	(22,796,457)
Net cash and cash equivalents provided by operating activities	11,835,481	1,776,286	375,565	10,568,348	24,555,680	32,116,384
<b>Cash Flows from Capital and Related Financing Activities</b>						
Other debt financing activities	(1,401)	(825)	-	(771,873)	(774,099)	(324,691)
Collection of installment purchase receivable from communities	-	-	-	100,000	100,000	90,000
Collection of interest from communities	-	-	-	29,339	29,339	31,651
Principal and interest paid on community debt	-	-	-	(129,339)	(129,339)	(121,651)
Collection of installment purchase receivable from KWA	-	-	-	1,564,000	1,564,000	1,075,000
Collection of interest from KWA	-	-	-	1,090,476	1,090,476	1,454,438
Principal paid on bond and note maturities	(6,350,232)	(450,000)	-	(5,340,940)	(12,141,172)	(11,532,241)
Interest paid on bonds and notes	(1,899,599)	(53,106)	-	(7,121,331)	(9,074,036)	(9,396,192)
Proceeds from issuance of debt	10,501,673	-	-	26,360,393	36,862,066	14,665,789
(Repayments to) advance from primary government	(400,000)	-	-	-	(400,000)	2,000,000
Refunded debt - Amounts paid to escrow agent	-	-	-	(25,780,000)	(25,780,000)	(3,148,606)
Purchase of capital assets	(32,168,652)	(492,963)	(20,613)	(10,806,297)	(43,488,525)	(11,494,045)
Proceeds from sale of capital assets	75,950	4,500	-	30,339	110,789	-
Federal and state grant contributions	300,000	109,749	-	9,525,224	9,934,973	1,352,906
Capital contributions from communities	115,124	153,182	-	203,582	471,888	1,158,096
Community construction project expense	-	(96,456)	-	(60,928)	(157,384)	(283,294)
Miscellaneous revenue	451,763	414,444	-	549,511	1,415,718	794,413
Net cash and cash equivalents used in capital and related financing activities	(29,375,374)	(411,475)	(20,613)	(10,557,844)	(40,365,306)	(13,678,427)
<b>Cash Flows Provided by Investing Activities - Investment income</b>	<b>1,452,408</b>	<b>337,356</b>	<b>39,597</b>	<b>813,515</b>	<b>2,642,876</b>	<b>868,402</b>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>(16,087,485)</b>	<b>1,702,167</b>	<b>394,549</b>	<b>824,019</b>	<b>(13,166,750)</b>	<b>19,306,359</b>
<b>Cash and Cash Equivalents - Beginning of year</b>	<b>36,752,613</b>	<b>5,265,663</b>	<b>471,992</b>	<b>16,574,991</b>	<b>59,065,259</b>	<b>39,758,900</b>
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 20,665,128</b>	<b>\$ 6,967,830</b>	<b>\$ 866,541</b>	<b>\$ 17,399,010</b>	<b>\$ 45,898,509</b>	<b>\$ 59,065,259</b>
<b>Classification of Cash and Cash Equivalents</b>						
Cash and investments	\$ 9,057,910	\$ 6,670,653	\$ 866,541	\$ 12,853,714	\$ 29,448,818	\$ 24,065,328
Restricted cash	11,607,218	297,177	-	4,545,296	16,449,691	34,999,931
<b>Total cash and cash equivalents</b>	<b>\$ 20,665,128</b>	<b>\$ 6,967,830</b>	<b>\$ 866,541</b>	<b>\$ 17,399,010</b>	<b>\$ 45,898,509</b>	<b>\$ 59,065,259</b>

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

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

**Year Ended December 31, 2023**  
**(with comparative totals for 2022)**

	2023					2022
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>						
Operating income	\$ 7,856,428	\$ 779,974	\$ 123,611	\$ 6,762,500	\$ 15,522,513	\$ 19,246,155
Adjustments to reconcile operating income to net cash from operating activities:						
Depreciation	6,012,106	876,012	28,667	5,194,186	12,110,971	12,136,084
Changes in assets and liabilities:						
Receivables	(337,728)	(165,231)	227,071	(965,804)	(1,241,692)	1,640,984
Prepaid and other assets	(14,903)	(4,226)	(900)	(14,923)	(34,952)	(208,360)
Net pension and OPEB liability	(1,807,011)	101,510	(14,870)	(499,282)	(2,219,653)	(705,780)
Accounts payable and accrued expense	126,589	188,247	11,986	91,671	418,493	7,301
Total adjustments	3,979,053	996,312	251,954	3,805,848	9,033,167	12,870,229
Net cash and cash equivalents provided by operating activities	<u>\$ 11,835,481</u>	<u>\$ 1,776,286</u>	<u>\$ 375,565</u>	<u>\$ 10,568,348</u>	<u>\$ 24,555,680</u>	<u>\$ 32,116,384</u>
<b>Significant Noncash Transactions - Capital contributions</b>						
	\$ 27,127	\$ -	\$ -	\$ -	\$ 27,127	\$ 34,174

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding	Issued During the Year	Retired During the Year	Principal Outstanding	2024		2025	
	January 1, 2023			December 31, 2023	Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
<u>Genesee County Drain Commissioner</u>								
<u>Bonds Payable:</u>								
Series 2005A \$22,180,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Northeast Extension Sewer project. Fully drawn May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with an interest rate of 1.625%	5,020,000	-	(1,225,000)	3,795,000	1,245,000	61,669	1,265,000	41,438
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%	3,515,000	-	(860,000)	2,655,000	870,000	36,075	885,000	21,816
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%	795,000	-	(155,000)	640,000	155,000	10,400	160,000	7,881
Series 2006B \$7,705,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with an interest rate of 1.625%	2,165,000	-	(420,000)	1,745,000	425,000	28,356	435,000	21,450
Series 2006C \$4,335,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with an interest rate of 1.625%	1,220,000	-	(235,000)	985,000	240,000	16,006	245,000	12,106
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%	3,510,000	-	(560,000)	2,950,000	570,000	43,306	580,000	33,963
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%	6,396,023	-	(745,000)	5,651,023	745,000	141,276	785,000	122,651
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%	740,000	-	(75,000)	665,000	75,000	16,625	80,000	14,750

## Summary of Bonds Payable Year Ended December 31, 2023

2026		2027		2028		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,285,000	20,881					-	-	3,795,000	123,988
900,000	7,313					-	-	2,655,000	65,204
160,000	5,281	165,000	2,681			-	-	640,000	26,243
440,000	14,381	445,000	7,231			-	-	1,745,000	71,418
250,000	8,125	250,000	4,063			-	-	985,000	40,300
590,000	24,456	600,000	14,788	610,000	4,956	-	-	2,950,000	121,469
785,000	103,026	800,000	83,401	825,000	63,401	1,711,023	64,302	5,651,023	578,057
80,000	12,750	80,000	10,750	85,000	8,750	265,000	13,375	665,000	77,000

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding			Principal Outstanding December 31, 2023	2024		2025	
	January 1, 2023	Issued During the Year	Retired During the Year		Principal	Interest	Principal	Interest
<b>Refunding Series 2017 \$15,890,000</b> Revenue Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Refunded 2007B, \$8,000,000 and 2009A, \$15,000,000 for the Northeast Extension Sewer Project bonds. Due in amounts ranging from \$545,000 to \$1,575,000 through 2029 with an interest rate of 2.09%	10,035,000	-	(1,425,000)	8,610,000	1,465,000	179,949	1,475,000	149,331
<b>Series 2020A \$13,800,000</b> Revenue Bonds. Bond proceeds used for acquiring and constructing improvements to the Sewage Disposal System (Interceptors and Treatment Facilities). Due serially in amounts ranging from \$275,000 to \$1,185,000 through 2040 with interest rates from 3.00% to 5.00%	13,220,000	-	(290,000)	12,930,000	320,000	531,450	310,000	518,900
<b>Series 2022 \$13,150,000</b> Revenue and Revenue Refunding Bonds. Bond proceeds used for acquiring and constructing improvements to the Sewage Disposal System (Interceptors and Treatment Facilities) and refunding all or a portion of Series 2011B. Due serially in amounts ranging from \$240,000 to \$1,055,000 through 2042 with an interest rate of 5.00%	13,150,000		(240,000)	12,910,000	245,000	639,375	270,000	626,500
<b>Installment Purchase Agreement \$359,939.32</b> Note collateral is a 2021 Vector. Due annually in amounts ranging from \$117,471.68 to \$122,235.37 through 2023 with an interest rate of 2.35% per annum	120,232		(120,232)	-				
<b>Series 2022B \$25,955,000</b> State Revolving Fund Program Revenue Bond backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for new Anaerobic Digestion Solids Handling Facilities at ARTP. Interest rate of 1.875% per annum	-	10,501,673		10,501,673		199,070	20,000	196,194
Total Interceptor and Treatment Facilities bonds payable	<b>\$ 59,886,255</b>	<b>\$ 10,501,673</b>	<b>\$ (6,350,232)</b>	<b>\$ 64,037,696</b>	<b>\$ 6,355,000</b>	<b>\$ 1,903,557</b>	<b>\$ 6,510,000</b>	<b>\$ 1,766,980</b>

## Summary of Bonds Payable (Continued) Year Ended December 31, 2023

2026		2027		2028		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,510,000	118,503	1,545,000	86,944	1,575,000	54,654	1,040,000	21,736	8,610,000	611,117
340,000	502,650	500,000	481,650	525,000	456,025	10,935,000	2,958,250	12,930,000	5,448,925
290,000	612,500	505,000	592,625	530,000	566,750	11,070,000	4,289,250	12,910,000	7,327,000
						-	-	-	-
20,000	195,820	495,000	191,005	505,000	181,655	9,461,673	1,481,992	10,501,673	2,445,737
<u>\$ 6,650,000</u>	<u>\$ 1,625,686</u>	<u>\$ 5,385,000</u>	<u>\$ 1,475,138</u>	<u>\$ 4,655,000</u>	<u>\$ 1,336,191</u>	<u>\$ 34,482,696</u>	<u>\$ 8,828,905</u>	<u>\$ 64,037,696</u>	<u>\$ 16,936,458</u>

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding	Issued During the	Retired During the	Principal Outstanding	2024		2025	
	January 1, 2023	Year	Year	December 31, 2023	Principal	Interest	Principal	Interest
District No. 3								
<u>Genesee County Drain Commissioner</u>								
<u>Bonds Payable:</u>								
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%	500,000	-	(55,000)	445,000	60,000	11,125	60,000	9,625
Refunding Series 2017 \$3,905,000 Revenue Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Refunded 2007 for the Treatment Plant Improvement project. Due in amounts ranging from \$335,000 to \$435,000 through 2027 with an interest rate of 2.14%	2,095,000	-	(395,000)	1,700,000	410,000	31,993	425,000	23,059
Total District No. 3 bonds payable	\$ 2,595,000	\$ -	\$ (450,000)	\$ 2,145,000	\$ 470,000	\$ 43,118	\$ 485,000	\$ 32,684

## Summary of Bonds Payable (Continued)

### Year Ended December 31, 2023

2026		2027		2028		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
60,000	8,125	65,000	6,625	65,000	5,000	135,000	5,125	\$ 445,000	45,625
430,000	13,910	435,000	4,655			-	-	\$ 1,700,000	73,616
<u>\$ 490,000</u>	<u>\$ 22,035</u>	<u>\$ 500,000</u>	<u>\$ 11,280</u>	<u>\$ 65,000</u>	<u>\$ 5,000</u>	<u>\$ 135,000</u>	<u>\$ 5,125</u>	<u>\$ 2,145,000</u>	<u>\$ 119,241</u>

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2023	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2023	2024		2025	
					Principal	Interest	Principal	Interest
<b>Water Supply Systems</b>								
<b><u>Genesee County Drain Commissioner</u></b>								
<b><u>Bonds Payable:</u></b>								
<b>Series 2013 \$35,000,000</b> 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%	26,905,000	-	(26,905,000)	-				
<b>Series 2014 \$30,285,000</b> 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%	19,110,000	-	(1,735,000)	17,375,000	1,825,000	720,288	1,925,000	629,038
<b>Series 2015 \$60,000,000</b> 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	56,655,000	-	(770,000)	55,885,000	775,000	2,443,694	775,000	2,404,944
<b>Series 2016A \$4,943,354</b> 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%.	4,103,354		(205,000)	3,898,354	210,000	94,834	220,000	89,459
<b>Series 2016B \$56,895,000</b> 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	53,620,000	-	(700,000)	52,920,000	765,000	2,349,656	840,000	2,309,531
<b>Series 2017A \$10,500,000</b> Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water transmission main from Henderson Road to Genesee Road (Potter Road Southeast Loop Extension). Due serially in amounts ranging from \$360,000 to \$695,000 through 2037 with interest rates from .90% to 3.65%	8,390,000		(455,000)	7,935,000	465,000	244,104	475,000	233,054

**Summary of Bonds Payable (Continued)**  
**Year Ended December 31, 2023**

2026		2027		2028		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,990,000	532,788	2,025,000	460,650	2,065,000	384,713	7,545,000	804,444	17,375,000	3,531,919
810,000	2,365,319	870,000	2,323,319	940,000	2,278,069	51,715,000	23,186,791	55,885,000	35,002,134
225,000	83,896	230,000	78,209	240,000	72,334	2,773,354	363,222	3,898,354	781,953
910,000	2,265,781	980,000	2,218,531	1,040,000	2,168,031	48,385,000	23,954,278	52,920,000	35,265,809
490,000	220,865	505,000	207,551	515,000	193,140	5,485,000	907,106	7,935,000	2,005,820

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2023	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2023	2024		2025	
					Principal	Interest	Principal	Interest
<b>Installment Purchase Agreement \$152,704.80</b> Note collateral is a 2021 John Deere Excavator, Model 135G. Due annually in amounts ranging from \$49,769.38 to \$51,996.46 through 2023 with an interest rate of 2.35% per annum	50,940		(50,940)	-				
<b>Refunding Series 2023 \$23,695,000</b> Revenue Bonds backed by the full faith and credit of County of Genesee Limited Tax General Obligation. Refunded 2013 for the Lake Huron Initiative project. Due serially in amounts ranging from \$300,000 to \$2,145,000 through 2038 with an interest rate of 5%		23,695,000	(300,000)	23,395,000	1,085,000.00	1,169,750	1,140,000	1,115,500
<b>Community Related</b>								
<b>Series 2011 \$933,515</b> 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%	474,265	-	(50,000)	424,265	50,000	9,982	50,000	8,732
<b>Series 2015 \$1,050,000</b> 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%	724,307		(50,000)	674,307	50,000	16,858	50,000	15,608
<b>Series 2023 \$6,978,750</b> Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Bond proceeds used for Southern Lakes Extension Phase II and III. No draws made in 2023.								
<b>Total Water Supply Systems bonds payable</b>	<b>\$ 170,032,866</b>	<b>\$ 23,695,000</b>	<b>\$ (31,220,940)</b>	<b>\$ 162,506,926</b>	<b>\$ 5,225,000</b>	<b>\$ 7,049,164</b>	<b>\$ 5,475,000</b>	<b>\$ 6,805,864</b>
<b>Total Genesee County Drain Commission bonds payable</b>	<b>\$ 231,315,549</b>	<b>\$ 34,196,673</b>	<b>\$ (37,921,172)</b>	<b>\$ 227,591,050</b>	<b>\$ 11,950,000</b>	<b>\$ 8,969,000</b>	<b>\$ 12,370,000</b>	<b>\$ 8,581,189</b>
<b>Total Community-related bonds payable</b>	<b>1,198,572</b>	<b>\$ -</b>	<b>\$ (100,000)</b>	<b>\$ 1,098,572</b>	<b>\$ 100,000</b>	<b>\$ 26,839</b>	<b>\$ 100,000</b>	<b>\$ 24,339</b>
<b>Total - All bonds payable</b>	<b>\$ 232,514,121</b>	<b>\$ 34,196,673</b>	<b>\$ (38,021,172)</b>	<b>\$ 228,689,622</b>	<b>\$ 12,050,000</b>	<b>\$ 8,995,839</b>	<b>\$ 12,470,000</b>	<b>\$ 8,605,528</b>

## Summary of Bonds Payable (Continued) Year Ended December 31, 2023

2026		2027		2028		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
						-	-	-	-
1,195,000	1,058,500	1,255,000	998,750	1,320,000	936,000	17,400,000	5,133,000	23,395,000	10,411,500
50,000	7,482	50,000	6,232	55,000	4,919	169,265	6,454	424,265	43,800
50,000	14,358	55,000	13,108	55,000	11,733	414,307	42,379	674,307	114,042
<u>\$ 5,720,000</u>	<u>\$ 6,548,988</u>	<u>\$ 5,970,000</u>	<u>\$ 6,306,350</u>	<u>\$ 6,230,000</u>	<u>\$ 6,048,938</u>	<u>\$ 133,886,926</u>	<u>\$ 54,397,673</u>	<u>\$ 162,506,926</u>	<u>\$ 87,156,978</u>
\$ 12,760,000	\$ 8,174,870	\$ 11,750,000	\$ 7,773,428	\$ 10,840,000	\$ 7,373,477	\$ 167,921,050	\$ 63,182,871	\$ 227,591,050	\$ 104,054,835
\$ 100,000	\$ 21,839	\$ 105,000	\$ 19,340	\$ 110,000	\$ 16,652	\$ 583,572	\$ 48,833	\$ 1,098,572	\$ 157,842
<u>\$ 12,860,000</u>	<u>\$ 8,196,709</u>	<u>\$ 11,855,000</u>	<u>\$ 7,792,767</u>	<u>\$ 10,950,000</u>	<u>\$ 7,390,129</u>	<u>\$ 168,504,622</u>	<u>\$ 63,231,704</u>	<u>\$ 228,689,622</u>	<u>\$ 104,212,677</u>

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# Genesee County Drain Commissioner Division of Water and Waste Services

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**Federal Awards Supplemental Information  
December 31, 2023**

# Genesee County Drain Commissioner Division of Water and Waste Services

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**Plante & Moran, PLLC**

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

**Independent Auditor's Report**

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

We have audited the financial statements of the Enterprise Fund, the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Division's basic financial statements. We issued our report thereon dated June 7, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 7, 2024.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

June 7, 2024

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards*

**Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Enterprise Fund, the business-type activities, the discretely presented component unit, and the aggregate remaining fund information of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") as of and for the year ended December 31, 2023 and the related notes to the basic financial statements, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated June 7, 2024. The financial statements of Karegnondi Water Authority were not audited in accordance with *Government Auditing Standards*.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Division's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Division's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Division's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Division's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Division's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plante & Moran, PLLC*

June 7, 2024

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required  
by the Uniform Guidance

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Genesee County Drain Commissioner Division of Water and Waste Services' (the "Division") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Division's major federal programs for the year ended December 31, 2023. The Division's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Division complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended December 31, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Division and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Division's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Division's federal programs.

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

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Division's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Division's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Division's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Division's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moreau, PLLC*

June 7, 2024

# Genesee County Drain Commissioner Division of Water and Waste Services

## Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number/Grant Number		Provided to Subrecipients	Federal Expenditures
<b>U.S. Department of Treasury:</b>					
Passed through Genesee County:					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	14	-		4,896,875
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	12	-		463,396
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	31	-		300,000
Total passed through Genesee County					5,660,271
Passed through Michigan Department of Environment, Great Lakes and Energy					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	SLFRP0127	-		1,562,456
Total passed through Michigan Department of Environment, Great Lakes and Energy					1,562,456
<b>Total U.S. Department of Treasury</b>					7,222,727
<b>U.S. Environmental Protection Agency:</b>					
Passed through Michigan Department of Environment, Great Lakes, and Energy					
Clean Water State Revolving Fund Cluster - Capitalization Grants for Clean Water State Revolving Funds	66.458	NA	-		3,593,854
<b>Total U.S. Environmental Protection Agency</b>					3,593,854
<b>Total federal expenditures</b>					<b>10,816,581</b>

**Notes to Schedule of Expenditures of Federal Awards**

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**Year Ended December 31, 2023**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Division, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Division.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*. The pass-through entity identifying numbers are presented where available.

The Division has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

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## Schedule of Findings and Questioned Costs

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# Genesee County Drain Commissioner Division of Water and Waste Services

## Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ None reported

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
66.458	Capitalization Grants for Clean Water State Revolving Fund Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

None

June 7, 2024

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

We have audited the financial statements of Genesee County Commissioner Division of Water and Waste Services (the "Division") as of and for the year ended December 31, 2023 and have issued our report thereon dated June 7, 2024. Professional standards require that we provide you with the following information related to our audit, which is discussed in required communications with those charged with governance.

This communication includes information that we are required to communicate to those charged with governance of the Division. We will report this information annually to Genesee County Drain Commissioner Division of Water and Waste Services.

We would like to take this opportunity to thank the Division's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the commissioner and management of Genesee County Division of Water and Waste Services and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink, appearing to read "Will Brickey".

William Brickey

## **Required Communications with Those Charged with Governance**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 13, 2024, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of Genesee County Drain Commissioner Division of Water and Waste Services. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Our audit of the Division's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the Division, including compliance with certain provisions of laws, regulations, contracts, and grant agreements; certain instances of error or fraud; illegal acts applicable to government agencies; and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated June 7, 2024 regarding our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 11, 2024.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Division are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2023.

We noted no transactions entered into by the Division during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

## **Required Communications with Those Charged with Governance (Continued)**

Management's estimates of the net OPEB liability, defined benefit pension costs, and net pension liability are based on certain assumptions made by the actuary. We evaluated the key factors and assumptions used to calculate the liabilities and determined that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in performing and completing our audit.

### ***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We did not detect any misstatements as a result of audit procedures.

### ***Significant Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Division, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Division's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated June 7, 2024.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Division's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.