

AUDITING PROCEDURES REPORT

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Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Genesee County Drain Commissioner Division of Water and Waste Services	County Genesee
Audit Date December 31, 2004	Opinion Date April 22, 2005	Date Accountant Report Submitted To State: June 30, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | | |
|------------------------------|--|---|
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
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**Genesee County Drain Commissioner
Division of Water and Waste Services**

**Financial Report
with Supplemental Information
December 31, 2004**

Genesee County Drain Commissioner Division of Water and Waste Services

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Independent Auditor's Report

Mr. Jeff Wright
Genesee County Drain Commissioner
Division of Water and Waste Services
Flint, Michigan

We have audited the accompanying basic financial statements of the Genesee County Drain Commissioner Division of Water and Waste Services (a component unit of Genesee County, Michigan) as of December 31, 2004 and 2003 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2004 and 2003 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Genesee County Drain Commissioner Division of Water and Waste Services. We did not examine this data and, accordingly, do not express an opinion thereon.

The accompanying supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is presented for the purpose of additional analysis. Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Genesee County Drain Commissioner's basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

April 22, 2005



Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

The County Improvement Act established the Drain Commissioner as a Public Act 342 Agency. That Agency created the Division of Water and Waste Services. The Division provided public utility services of water and wastewater treatment in parts of Genesee, Saginaw, Shiawassee, and Livingston Counties. The Division's mission is to distribute water and collect and treat wastewater in such a manner that is in compliance with all state and federal regulations, and to maintain the lowest cost to customers. Additionally, the Genesee County board of commissioners elected to have the Division act as County Enforcing Agency for Soil Erosion.

The Division of Water and Waste Services is responsible for the administration, operation, maintenance, and construction of infrastructure and treatment facilities for the communities located in Genesee County, excluding the City of Flint, for the sanitary system and water supply. The Division is divided into six distinct cost centers (departments). These departments have been developed based upon revenue, responsibility, and definable core functions. The administration, support services, operation and maintenance, ARTP sewage treatment, Districts 3 and 7 sewage collection and treatment, and water supply operate autonomously, while sharing information with each of the other cost centers. In addition, the Division offers construction management and system operation services to local communities.

Some of the key administrative and engineering duties of both the sanitary sewer operation and the water department operation include comprehensive system planning, interaction and regulation of development, implementing capital improvement projects, and system budget management. The administration is responsible for the overall operation of the utilities 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 insure 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 six cost centers. These services can be grouped into these categories, whose core functions are as follows:

Safety: In support of the department heads, coordinates occupational safety, develops and coordinates safety training for new hires, and assures compliance with federal, state, and local safety regulations.

Human Resources: In support of the department heads, prepares and updates job descriptions, compensation schedules, personnel policies, conducts recruitment for all personnel, develops training programs for supervisors and managers, and maintains Division records related to personnel.

Genesee County Drain Commissioner

Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Finance: Assists department heads to develop and administer annual budgets, maintain all financial records of the Division within generally accepted principles of accounting and presents these records for annual audit, bond issues, and required reports; prepares and issues water and sewer bills, payroll, accounts receivable, accounts payable, and assists departments in making purchases and maintaining inventory; it is responsible for ensuring that accurate, timely bills are issued and is instrumental in answering customer questions about water and sewer bills, processing service requests and requests for transfer of service, and works with various municipalities in the processing of questions concerning the users of the system.

Permits, Soil Erosion, and Construction Inspection: Manages all permitting, serves as contact coordinator between developers, contractors, municipalities and the Division as related to development and connection to utilities; inspects construction of water and sewer system extensions to assure compliance with Division standards.

Information Technology: Installs and maintains Division computers, software systems, develops technical specifications, and provides training and technical support for all users of the Division's ITT system.

The operation and maintenance department has two primary functions: water distribution/delivery and sanitary sewer collection/transportation. To ensure these primary functions are met, the O&M department performs the following tasks on a daily basis:

- Preventive maintenance of the water and sewer infrastructure and appurtenances
- Staking (Miss Dig) of water and sewer infrastructure
- Jetting/televising of sanitary sewers
- Inspection of water and sewer infrastructure
- Responds to customer complaints (i.e., plugged sewers, high bills, etc.)
- Installs and repairs water meters, repairs broken watermains, repair and/or coordinate the repair of sanitary sewers, sewer main taps, and cut and cap services
- Provides after-hours emergency response

The Sanitary Sewer Treatment Sections are responsible for the collection and transmission of effluent through the sewer interceptor lines to the three disposal plants under the Division's jurisdiction. These plants are the Linden Facility, the Argentine/Deerfield Lagoons, and the Anthony Ragnone Treatment Plant (ARTP). The ARTP provides sewage treatment for all of the Division's service area with the exception of Districts 3 and 7. The District 3 and 7 facilities are two distinctly separate operations but are combined administratively due to topography and geography. The Division also manages two programs that impact its treatment facilities:

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Biosolids Disposal - The Division is responsible for disposing wastewater treatment plant biosolids in a manner that is considered beneficial reuse, in particular sludge application on farmland. In 2004, ARTP applied 38.7 MG of stabilized biosolids (9605 DT) on approximately 3,472 acres of approved fields. Four biosolids storage tanks were cleaned by the end of the year, all were emptied, and all tanks were inspected. Tank atmospheric monitoring and ventilation has been increased to further assure safe conditions. The Division is studying dewatering and other options for proper, cost-effective disposal.

Industrial Waste Control - Under this program, the Division regulates and monitors industrial dischargers and non-domestic dischargers to the wastewater system. The Division is responsible for reviewing applications, issuing discharge permits, verifying compliance, and calculating fees and surcharge bills for the customers, as well as enforcing regulations through discharge permits, which protect the wastewater treatment facilities and the environment. Presently, there are 29 significant permits being monitored. At least 30 more industrial permits will be added in 2005. MDEQ approval is pending for the revised sewer use ordinance that will allow for best management practices in regulating silver and mercury from over 500 physician offices and grease and oil from over 1,500 restaurants. A mercury minimization program and fats, oil, and grease (FOG) program are under development. A new IPP technician will be added to the program oversight staff in 2005.

The core function of all treatment facilities is to effectively and efficiently treat sewage in compliance with regulations established by its NPDES permit and maintain good working relationships with customers and elected officials of the Districts to achieve the goals of accountability and credibility. These activities include:

- Facility operation and maintenance
- Analytical support to assure compliance with discharge limits and industrial pre-treatment
- Providing training in plant operation, maintenance, safety, and regulatory compliance
- Residuals management
- Addition of various treatment chemicals/other alternatives
- Planning for plant improvements, equipment replacement, and upgrades
- Emergency response plan
- Storage lagoon operation and maintenance
- Discharge limitations and monitoring
- Pollutant minimization

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

The water supply department is responsible for water supply acquisition from the City of Detroit through the City of Flint. The Division provides potable water to residential, commercial, and industrial customers with distribution of water to the outlying communities of Genesee County. It maintains a distribution system consisting of approximately 422 miles of water mains. The Division installs water connections at the request of customers, services and changes water meters, performs turn-ons and turn-offs at the request of customers, and oversees the backflow prevention program. In order to provide an uninterrupted supply of safe drinking water, this department also must look to the future to:

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

Through Genesee County, land was purchased along Lake Huron for the possible construction of a water plant and distribution system for Genesee County. The Division has first right of refusal on the property for development. A subcommittee of the Genesee County board of commissioners will address two major issues which are: (a) long-term water supply and the reliability of the water supply and (b) cost to build and cost to residents. The Division has been actively pursuing the information needed to make these decisions.

Objectives and Achievements

The main objectives of the Drain Commissioner are to maintain residential 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. This helps with planning for new and improved systems. The rising cost of water from the City of Detroit to the City of Flint and then to the County has been and is of great concern. With continued efforts and negotiations with the City of Flint, the Drain Commissioner and the Division of Water and Waste Services were able to amend the 1973 City/County water supply agreement in 2003. The cost from the City of Detroit is passed through with no markup of cost and a flat rate will be paid to the City of Flint. The flat rate per month for 2004 was \$102,317. Beginning January 1, 2005 and each calendar year thereafter through August 2008, the flat rate shall be adjusted for inflation in the amount of any annual average percentage increase in the Consumer Price Index for urban wage earners and clerical workers (CPI-W) for the preceding calendar year. The rate per month for 2005 has been established at \$105,593. A water rate study was completed in 2004, which establishes the rates to be charged by the Division with the concept of a flat rate structure to replace the original declining block rate structure. The study updates the rates from the Division for the period from 2004 through 2007. A sewer rate study is to be completed in the year 2005.

Genesee County Drain Commissioner

Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

ARTP (Anthony Ragnone Treatment Plant)

Accomplishments:

- a. Improve security systems in the following areas:
 - Firewall operation control in computer systems - progressing into 2005
 - Add video security and keyless entry systems
- b. Perform preventive maintenance on major systems such as:
 - Systematically paint all outside structures - progressing ongoing
 - Made necessary repairs/replacement of various roofing systems-patching done
 - Make structural repairs in the raw channel system
- c. Made improvements to the electrical systems building:
 - Install monitoring and upgrade 480 volt on motor control center buzz system
- d. Best management practice for mercury and silver - submitted to MDEQ
- e. Replace portable sampling equipment
- f. Develop and implement IPP fees, application process, BMP, permit system, and surcharge structure
- g. Replace and repair damaged wall on wet weather treatment basin
- h. Paint Brent Run Pump Station
- i. Improve safety program and safe working procedures - ongoing

Goals:

- a. Improve security systems by adding eight more cameras through 2006
- b. Replacement of various roofing systems
- c. Make improvements to the electrical systems:
 - Upgrade medium voltage switchgear circuit breaker at substation and Blower Buildings
 - Install variable frequency drives on return activated sludge pumps and on low and high-pressure final effluent pumps
- d. IPP best management practice for mercury and silver to be approved by MDEQ and implemented
- j. Provide training for community officials on ordinance revisions and application process - following MDEQ approval
- e. New sewer use ordinance
- f. Sewer rate study underway
- g. Replace old hand rail on Wet Weather Treatment Basin
- h. Run new fiber optic cable to outbuildings for better security and SCADA communications
- i. Procure and configure computer network for Great Plains Software implementation (accounting modules)
- j. Select engineering firm for new final tank study and design
- k. Pilot test septage receiving stations and dewatering equipment

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Operation and Maintenance

Accomplishments:

- a. Completed electrical/mechanical upgrades for Flushing Park Pump Station
- b. Completed electrical upgrade to pump stations #2, #3, and #4
- c. Continued efforts to improve water supply system
- d. Sanitary sewer interceptor flow meter installation completed
- e. Collecting flow data - provided flow data to communities
- f. Continued efforts (2.5 miles/community) with jetting/televising lateral sewers
- g. Started design for magnetic meter installation for interceptor pump stations
- h. Completed assessment of interceptor pump stations
- i. Improved security at water storage pumping facilities and water storage tanks
- j. Upgraded process control at Center Road water facility

Goals:

- a. Install magnetic meters at interceptor pump stations
- b. Complete the guidelines for the County's CMOM program
- c. Implement a comprehensive sanitary sewer pump station preventative maintenance program
- d. Complete other pump station improvements
- e. Continue with the jetting/televising manhole inspection/manhole repair program currently established
- f. Implement a 2nd shift for water and sewer operations (6/13/05)
- g. Evaluate the need for a water valve witness program
- h. Eliminate long-term hydrant meters with established automated water hauler sites (May 2005)
- i. Evaluate, design, and begin the upgrade to telemetry system

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Permitting

Accomplishments:

- a. Develop cost of service tracking system to have a true cost for plan review, permitting, and inspection
- b. Completion of Phase II of GIS and Citiworks to improve record system related to all permits associated with the Division
- c. Coordination of S-permits with the related capital improvement developments

Goals:

- a. Complete Phase III of GIS and Citiworks - through 2006
- b. Complete County Sanitary Sewer Ordinance and have enacted by County board
- c. Continue field verification of GIS as implemented
- d. Implement Soil Erosion Permit process in City of Flint
- e. Evaluate electronic record storage options

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Linden Wastewater Plant (District #3)

Accomplishments:

- a. Place new chemical feed systems into service; the basic thought is to increase run time on the tertiary filters between backwash cycles and to also thicken the waste activated sludge
- b. Place E. Digester into service to handle biosolids as well as helping to limit odor emissions
- c. Work closely with the engineers in the upgrade and expansion project to accommodate the anticipated flows from Livingston County
- d. Installed generator system for raw sewage pumps
- e. Installed new bar screen and washer compactor
- k. Provided 1st annual report to MDEQ for District #3 ACO

Goals:

- a. Construction of 3.8 million gallon per day (MGD) upgrade for Livingston County (this project will be the main focus for the year)
- b. Run high pressure airline to the preliminary treatment building
- c. Finish new wetwell and interceptor sewer
- d. Place security cameras and automatic gates into service (this will assist in elimination of shifts and excess overtime)
- e. Complete plant expansion
- f. Make plant improvement to reduce odors

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

District #7

Accomplishments:

- a. Continuation of upgrades to meet milestones of the Administrative Consent Order:
 - Focus on the installation of new control panels for the grinder stations.
 - Continue the installation of new grinder pumps as well as repairs to the discharge piping
- b. Installation of aerators in cell #2
- c. Continue to move toward a more uniform or consistent grinder station installation document(s)
- d. Address concerns in the need to remove biosolids from the three cells at the Bird Road Lagoon site

Goals:

- a. Continue to install new grinder pumps
- b. Replace control panels to alleviate sanitary sewer overflows
- c. Continue replacing of level sensors, floats, chains, and related hardware in grinder stations
- d. Install aerators in cell #4 which will result in achieving compliance with total inorganic nitrogen levels
- e. Work on installing rip-rap on the banks of the lagoon cells
- f. Clean up lagoon area by scrapping out old equipment and aluminum piping
- g. Install flow control structures for cells 1, 2, and 3

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

The Division will continue with the allocations from the acquisition of several grants that were received during fiscal year 2002, 2003, and 2004. These grants include the following:

- A program grant by the Army Corp of Engineers as a joint venture for the engineering/design of a compatible rain gage network covering Genesee County. This program is still ongoing into fiscal year 2005.
- A Hazard Mitigation Grant (FEMA Grant) for 75 percent of costs to elevate 1,970 manhole locations (Flint/Flushing Township Interceptor Sewer), raise the existing levee one foot, and elevate the electrical components with the pumping station. This project was completed in 2004 and a final request of \$254,591 was submitted for reimbursement bringing the total grant to \$277,965.
- A Hazard Mitigation Grant (FEMA Grant) for 75 percent of costs for Curwood Pump Station electrical improvements/manhole repairs. A contractor was hired for the improvement and a final grant request of \$139,714 was submitted for reimbursement.
- A STAG grant for work associated with the Western Trunk Sewer Extension and Northeast Extension Sewer was appropriated by the EPA for 2003 at \$1,403,700, 2004 for \$625,000, and \$250,000 for 2005.
- A Clean Water Revolving Fund Program loan request has been approved for \$22,180,000 to fund the construction of the northeast extension sewer. This will be started in 2005.

Using this Annual Report

The annual report consists of a series of financial statements. The statement of net assets, the statement of revenue, expenses, and changes in net assets, and the statement of cash flows provide information about the activities of the Division as a whole and present 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 table presents condensed information about the Division's financial position compared to the prior year.

	December 31		Increase (Decrease)	Percent
	2004	2003		
Assets:				
Current assets	\$ 19,430,003	\$ 22,695,260	\$ (3,265,257)	(14.4)
Restricted assets	33,137,702	38,922,426	(5,784,724)	(14.9)
Other noncurrent assets	59,248,669	44,287,400	14,961,269	33.8
Capital assets	<u>156,551,967</u>	<u>126,564,293</u>	<u>29,987,674</u>	23.7
Total assets	<u>268,368,341</u>	<u>232,469,379</u>	<u>35,898,962</u>	15.4
Liabilities:				
Current liabilities	26,655,516	16,669,450	9,986,066	59.9
Liabilities payable from restricted assets	4,579,119	2,523,766	2,055,353	81.4
Other noncurrent liability	129,087	150,602	(21,515)	(14.3)
Long-term debt	<u>109,935,000</u>	<u>89,905,000</u>	<u>20,030,000</u>	22.3
Total liabilities	<u>141,298,722</u>	<u>109,248,818</u>	<u>32,049,904</u>	29.3
Net assets:				
Invested in capital assets - Net of related debt	107,923,141	96,372,334	11,550,807	12.0
Restricted for capital outlay	5,165,657	10,558,612	(5,392,955)	(51.1)
Restricted for debt service	696,535	743,315	(46,780)	(6.3)
Unrestricted	<u>13,284,286</u>	<u>15,546,300</u>	<u>(2,262,014)</u>	(14.6)
Total net assets	<u>\$ 127,069,619</u>	<u>\$ 123,220,561</u>	<u>\$ 3,849,058</u>	
Operating Expenses				
	Year Ended December 31		Increase (Decrease)	Percent
	2004	2003		
Revenue from operations	\$ 31,417,877	\$ 29,500,625	\$ 1,917,252	6.5
Interest on operating cash	<u>567,738</u>	<u>544,420</u>	<u>23,318</u>	4.3
Total revenue	<u>31,985,615</u>	<u>30,045,045</u>	<u>1,940,570</u>	6.5
Sludge disposal charges	976,889	953,984	22,905	2.4
Cost of water	8,272,341	8,338,065	(65,724)	(0.8)
Operating and maintenance	16,968,941	14,901,591	2,067,350	13.9
Administrative and depreciation	<u>4,021,436</u>	<u>3,507,359</u>	<u>514,077</u>	14.7
Total operating expenses	<u>30,239,607</u>	<u>27,700,999</u>	<u>2,538,608</u>	9.2
Other nonoperating revenue	<u>1,603,316</u>	<u>3,089,732</u>	<u>(1,486,416)</u>	(48.1)
Change in net assets - Before capital contributions	3,349,324	5,433,778	(2,084,454)	(38.4)
Capital contributions	<u>499,734</u>	<u>-</u>	<u>499,734</u>	100.0
Change in net assets	<u>\$ 3,849,058</u>	<u>\$ 5,433,778</u>	<u>\$ (1,584,720)</u>	(29.2)

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Major Capital Assets and Debt Activity

In 2002, bonds were issued in the amount of \$11,000,000 for the purpose of defraying the cost of acquiring and constructing improvements to the sanitary sewage disposal system (Interceptor and Treatment Facilities) for the Flushing Park and Brent Run Pumping Stations, and installing a system flow monitoring and rain monitoring system. These projects were started in 2002 and completed in 2004. At December 31, 2004, an asset for the system flow monitoring totaled \$2,560,815 and an asset for the treatment plant 2002 improvements totaled \$10,136,969.

In 2003, bonds were issued in the amount of \$9,000,000 for the purpose of defraying the cost of acquisition and construction of additional sewer interceptor mains, together with related sites, structures, equipment, and appurtenance, to be known as the Western Trunk Relief Sewer. At December 31, 2004, a cost of \$11,038,957 has been recognized as construction in progress. In addition to the funds allocated from reserves in 2003 in the amount of \$1,033,303, FEMA grant funds of \$499,726 received in 2004 and income of \$129,348 help to cover costs.

Another major capital project is the northeast sewer extension, of which no construction debt has been issued at present. At December 31, 2004, a cost of \$5,156,323 has been recognized as construction in progress, which has been funded by reserves. The Stag Grant will be applied to this project, along with using the SRF funding from the State of Michigan.

In 2003, bonds were issued in the amounts of \$9,000,000 and \$18,000,000 and in 2004 bonds were issued for \$14,960,000 for the purpose of paying the costs of improvements and extensions to the County's water supply system. These issues are being used for the construction of various water reservoirs and pumping stations for water distribution to the consumers of Genesee County and extension of the North Loop III. At December 31, 2004, costs of \$2,106,878 and \$29,515,329, respectively, have been recognized as construction in progress.

During the year 2004, Capital Improvement funds (CCIF) were used to pay the revenue debt associated with the Western Trunk and Water Supply III in the amounts of \$2,630,622 and \$1,033,168, respectively.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Financial Overview

In analyzing the Division of Water and Waste Services' financial position, it is important to recognize the mission of the Agency, which has been previously stated. A discussion of the significant financial activity during the current year follows:

- Restricted assets decreased in the current year by approximately \$5,784,000 primarily due to the retirement of debt related to capital projects. This activity is described in greater detail in the major capital assets and debt activity section.
- Other noncurrent assets increased in the current year by approximately \$14,961,000, primarily due to increase of lease receivable in association with the new community debt.
- Capital assets increased by approximately \$29,988,000 in the current year due to several capital programs that are described in greater detail in the major capital assets and debt activity section.
- Long-term debt increased in the current year due to one new bond issue. This issue is described in greater detail in the major capital assets and debt activity section.
- Overall net assets changed by 3.1 percent as restricted amounts were transferred to and invested in capital assets when completed and the change in net assets decreased by (29.2 percent), as major repairs and improvement were a high priority for 2004.
- Revenue in the current year increased primarily due to increased usage from customers and additional work done for permitting.
- Interest decreased primarily due to current market conditions.
- Operating and maintenance costs increased as efforts were made for repairs need for increased efficiency to the sewer systems in operation departments.

Genesee County Drain Commissioner

Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

The following table shows the trend in total operating costs compared to flow volumes for sewage treatment:

	Year Ended December 31		
	2002	2003	2004
Total costs charged to townships	\$ 15,397,896	\$ 15,800,023	\$ 15,994,472
Total flow (thousands of gallons)	11,717,891	12,600,424	9,906,246
Cost per thousand of gallons	\$ 1.31	\$ 1.25	\$ 1.61

Due to the lawsuit for CCIF fees, a delay in the expansion of the system increased revenue and not projected costs and flow in 2004 (see Note 7). No increases of rates in 2004 were implemented as a full sewer rate study is to be done in 2005, which will show what rates are needed to cover estimated future costs for the operations capable of repairing and updating methods of treatment for better efficiency.

The following table shows the trend in total operating costs compared to efficiency of water purchased:

	Year Ended December 31		
	2002	2003	2004
Total costs charged to townships	\$ 11,205,098	\$ 12,223,273	\$ 13,776,788
Amount of purchased water (cu. ft.)	726,126,763	694,327,913	689,325,243
Amount of sold water	652,559,316	670,383,275	665,654,727
Water efficiency	90%	97%	97%

The Division purchases water from the City of Flint, which in turn purchases water from the City of Detroit. The Division's payment to Flint is a flat rate of \$102,917 per month plus a commodity charge equal to the charge from Detroit to Flint for the water. For 2003, the rate was \$11.06/mcf. The rate was decreased in July 2004 by 7.41 percent, but is to start increasing at 9 percent per year in the future. As described previously, the flat rate will increase according to the CPI-W percentage. With these rates increasing each year, the Division had a water rate study completed in 2004. A study presented the concept of an inclining rate structure to replace the original declining block rate structure. The full report is available in the Division's office. The Division made the decision to implement the recommendations of this study January 1, 2005 and not change the rates to its customers in August 2004.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Contacting the Division's Management

This financial report is intended to provide our constituents, sewer/water users, and bondholders with a general overview of the 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 director of the Division.

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Assets - Proprietary Fund Types

	December 31			
	2004		2003	
	Enterprise Fund	Internal Service Fund	Total	Total
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 10,713,567	\$ 154,623	\$ 10,868,190	\$ 12,956,659
Accounts receivable	3,171,821	7,404	3,179,225	3,225,227
Prepaid expenses	36,688	-	36,688	-
Due from other governmental units	157,087	-	157,087	42,514
Current portion of leases receivable	5,180,000	-	5,180,000	6,465,000
Inventory	8,813	-	8,813	5,860
Total current assets	19,267,976	162,027	19,430,003	22,695,260
Noncurrent assets:				
Restricted cash and cash equivalents (Note 2)	33,137,702	-	33,137,702	38,922,426
Due from other governmental units	1,399,241	-	1,399,241	1,735,219
Leases receivable - Net of current portion	49,305,000	-	49,305,000	41,885,000
Local unit construction in progress	8,544,428	-	8,544,428	667,181
Capital assets (Note 3):				
Land and other assets not being depreciated	54,262,210	123,952	54,386,162	37,146,503
Buildings and equipment - Net of depreciation	99,347,803	2,818,002	102,165,805	89,417,790
Total noncurrent assets	245,996,384	2,941,954	248,938,338	209,774,119
Total assets	265,264,360	3,103,981	268,368,341	232,469,379
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	2,540,060	60,879	2,600,939	3,169,139
Due to other governmental units	12,514	-	12,514	16,540
Unearned leases	16,512,063	-	16,512,063	3,223,771
Current portion of bonds payable (Note 4)	7,530,000	-	7,530,000	10,260,000
Total current liabilities	26,594,637	60,879	26,655,516	16,669,450
Noncurrent liabilities:				
Liabilities related to restricted assets	4,579,119	-	4,579,119	2,523,766
Internal balances	(315,903)	315,903	-	-
Deferred revenue	129,087	-	129,087	150,602
Bonds payable - Net of current portion (Note 4)	109,935,000	-	109,935,000	89,905,000
Total noncurrent liabilities	114,327,303	315,903	114,643,206	92,579,368
Total liabilities	140,921,940	376,782	141,298,722	109,248,818
Net Assets				
Invested in capital assets - Net of related debt	104,981,187	2,941,954	107,923,141	96,372,334
Restricted for capital outlay	5,165,657	-	5,165,657	10,558,612
Restricted for debt service	696,535	-	696,535	743,315
Unrestricted	13,499,041	(214,755)	13,284,286	15,546,300
Total net assets	<u>\$ 124,342,420</u>	<u>\$ 2,727,199</u>	<u>\$127,069,619</u>	<u>\$123,220,561</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets - Proprietary Fund Types

	Years Ended December 31				
	2004			2003	
	Enterprise Fund	Internal Service Fund	Eliminations	Total	Total
Operating Revenue					
Sewage disposal service	\$ 15,994,472	\$ -	\$ -	\$ 15,994,472	\$ 15,800,023
Billing services	79,257	-	-	79,257	79,792
Sewer and pumping station -					
Operation and maintenance	599,580	-	-	599,580	575,691
Inspection fees	14,920	-	-	14,920	18,047
Water sales	13,776,788	-	-	13,776,788	12,223,273
Water meter sales	145,294	-	-	145,294	115,150
Billing to Enterprise Fund	-	480,433	(480,433)	-	-
Rental income	-	582,100	(440,000)	142,100	-
Other operating revenue	660,466	5,000	-	665,466	688,649
Total operating revenue	31,270,777	1,067,533	(920,433)	31,417,877	29,500,625
Operating Expenses					
Personnel services	10,624,753	-	-	10,624,753	9,420,703
Contractual services	879,864	250	-	880,114	939,436
Sludge disposal service	976,889	-	-	976,889	953,984
Cost of water	8,272,341	-	-	8,272,341	8,338,065
Repairs and maintenance	2,516,839	-	-	2,516,839	1,970,251
Utilities	2,616,654	-	-	2,616,654	2,490,473
Other supplies and expense	2,014,149	116,979	(920,433)	1,210,695	1,020,164
Insurance claims and expenses	767,342	75,532	-	842,874	536,572
Depreciation	1,823,126	475,322	-	2,298,448	2,031,351
Total operating expenses	30,491,957	668,083	(920,433)	30,239,607	27,700,999
Operating Income	778,820	399,450	-	1,178,270	1,799,626
Nonoperating Revenue (Expense)					
Interest and investment revenue	599,110	1,724	(33,096)	567,738	544,420
Miscellaneous revenue	3,829,353	(460)	-	3,828,893	3,993,767
Interest expense	(2,225,577)	(33,096)	33,096	(2,225,577)	(904,035)
Total nonoperating revenue (expense)	2,202,886	(31,832)	-	2,171,054	3,634,152
Income - Before capital contributions	2,981,706	367,618	-	3,349,324	5,433,778
Capital Contributions	499,734	-	-	499,734	-
Operating Transfer	(277,836)	277,836	-	-	-
Change in Net Assets	3,203,604	645,454	-	3,849,058	5,433,778
Net Assets - Beginning of year	121,138,816	2,081,745	-	123,220,561	117,786,783
Net Assets - End of year	\$ 124,342,420	\$ 2,727,199	\$ -	\$ 127,069,619	\$ 123,220,561

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types

	Year Ended December 31			
	2004			2003
	Enterprise Fund	Internal Service Fund	Total	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 31,833,565	\$ 539,587	\$ 32,373,152	\$ 29,826,711
Cash payments to suppliers and others for goods and services	(16,338,565)	(235,136)	(16,573,701)	(17,311,335)
Cash payments to employees	(10,624,753)	-	(10,624,753)	(9,420,703)
Net cash provided by operating activities	4,870,247	304,451	5,174,698	3,094,673
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(32,530,030)	(510,777)	(33,040,807)	(23,317,210)
Proceeds from sale of capital assets	-	400	400	16,325
Capital contributions from communities	(1,385,496)	-	(1,385,496)	173,103
County capital improvement fees	3,766,660	-	3,766,660	3,872,864
Collections of leases receivable from municipalities	4,865,000	-	4,865,000	5,658,413
Increase of leases receivable from municipalities	(11,000,000)	-	(11,000,000)	-
Proceeds from issuance of revenue bond	14,960,000	-	14,960,000	40,000,000
Proceeds from issuance of bonded debt	12,600,000	-	12,600,000	-
Principal paid on bond maturities	(10,260,000)	-	(10,260,000)	(7,935,000)
Interest paid on bonds and other long-term liabilities	(2,225,577)	(33,096)	(2,258,673)	(3,326,287)
Premium on bonded debt	78,760	-	78,760	-
Administrative costs associated with bond issues	(16,067)	-	(16,067)	17,093
Net cash provided by (used in) capital and related financing activities	(21,146,750)	(543,473)	(21,690,223)	15,159,301
Cash Flows from Investing Activities				
Investment income	599,110	1,724	600,834	595,744
Proceeds from sale of investments	8,041,498	-	8,041,498	-
Operating transfer	(277,836)	277,836	-	-
Net cash provided by investing activities	8,362,772	279,560	8,642,332	595,744
Net Increase (Decrease) in Cash and Cash Equivalents	(7,913,731)	40,538	(7,873,193)	18,849,718
Cash and Cash Equivalents - Beginning of year	<u>51,765,000</u>	<u>114,085</u>	<u>51,879,085</u>	<u>33,029,367</u>
Cash and Cash Equivalents - End of year	<u>\$ 43,851,269</u>	<u>\$ 154,623</u>	<u>\$ 44,005,892</u>	<u>\$ 51,879,085</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 778,820	\$ 399,450	\$ 1,178,270	\$ 1,799,626
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	1,823,126	475,323	2,298,449	2,031,351
Gain on sale of assets	-	(860)	(860)	-
Changes in assets and liabilities:				
Accounts receivable	53,406	(7,404)	46,002	(867,812)
Inventories	(2,953)	-	(2,953)	9,042
Accounts payable, accrued expenses, and deferred revenue	1,502,186	(41,516)	1,460,670	2,478,049
Internal balances	520,542	(520,542)	-	(61,835)
Due to/from other governmental units - Net	195,120	-	195,120	(2,293,748)
Net cash provided by operating activities	<u>\$ 4,870,247</u>	<u>\$ 304,451</u>	<u>\$ 5,174,698</u>	<u>\$ 3,094,673</u>
Composition of Cash and Cash Equivalents:				
Cash and cash equivalents	\$ 10,713,567	\$ 154,623	\$ 10,868,190	\$ 12,956,659
Restricted cash and cash equivalents	33,137,702	-	33,137,702	38,922,426
Total cash and cash equivalents	<u>\$ 43,851,269</u>	<u>\$ 154,623</u>	<u>\$ 44,005,892</u>	<u>\$ 51,879,085</u>

During the year, there were no noncash operating, financing, or investing activities.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies

The Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") was organized in September 1965 under Public Act No. 342 of 1939 of the State of Michigan (amended in 1967). The Division's major operations are the construction and operation of water and waste systems in Genesee County, Michigan (the "County") and certain areas in surrounding counties. Construction is financed with proceeds from the sale of bonds and federal and state grants. The operating activities are financed primarily through user charges to municipalities in the systems.

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

Reporting Entity - Included within the reporting entity are the following:

- Genesee County Sewage Disposal Systems Nos. 1, 2, 5, and 6 (interceptors and treatment facilities)
- Genesee County Sanitary Sewage Disposal Systems Nos. 3 and 7
- Genesee County Water Supply Systems
- Genesee County Division of Water and Waste Services - Vehicle and Equipment Fund (Internal Service Fund)

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, there are no component units to be included in these financial statements.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation - The basic financial statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Division reports the following major proprietary funds:

- The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises, where the costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.
- The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the Division on a cost-plus basis.

The Division has elected, under GASB Statement No. 20, to apply all Financial Accounting Standards Board (FASB) statements issued after November 30, 1989, unless they conflict with the guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the basic financial statements. Exceptions to this general rule are charges between the Division's water and sewer function and various other functions of the Division. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 Division's proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market prices.

Short-term Financial Instruments - The fair value of short-term financial instruments, including cash and cash equivalents, trade accounts receivable and payable, accrued receivables, and accrued liabilities, is equal to the carrying amounts in the accompanying financial statements due to the short maturity of such instruments.

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.

Inventories - Inventories consist primarily of water meters and grinder pumps, valued at cost, using the first-in, first-out method. The cost of supply inventory is recorded as an expense when consumed rather than when purchased.

Leases Receivable - Leases receivable consists of amounts due to the Division from various municipalities for construction activity. The Division constructs assets for various municipalities under Acts 185 and 342. Under these acts, the County issues bonds and constructs assets on behalf of municipalities. These assets are then leased by the municipalities over the life of the bonds. Lease payments approximate the debt service requirements of the associated bonds.

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

Restricted Assets - Certain assets are restricted by the Division's bond ordinances. In addition, unspent bond proceeds and County capital improvement fees are restricted for the construction of water collection and sewage disposal systems projects. 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Postemployment Benefits - In addition to the pension benefits described in Note 5, the Division provides postemployment health care, dental, and life insurance benefits after retirement through a contractual agreement. The Division is responsible for 100 percent of the cost of postretirement benefits and funds these costs as they are incurred. Postretirement benefits for retired employees were \$751,857 and \$682,441 for the years ended December 31, 2004 and 2003, respectively. The total number of eligible retirees amounted to 63 individuals during December 31, 2004 and 2003.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Compensated Absences - The Division's employees are granted vacation and personal leave in graduated amounts based on length of service. Vacation pay is fully vested when earned. Upon termination, employees are paid accumulated vacation at current salary rates to a limit of 150 percent of their current annual earned vacation. At December 31, 2004 and 2003, the Division has recorded a liability of approximately \$355,000 and \$309,000, respectively, for accumulated vacation leave.

Unearned Leases - Unearned leases represent cash and investments and construction in progress recorded on the Division's books, belonging to the municipalities participating in the water collection and sewage disposal system.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Plant, and Equipment - Additions to property, plant, and equipment are recorded at cost or, if donated, at their estimated fair value at the time of donation. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. 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:

Land improvements and underground networks	50-100 years
Buildings	50 years
Machinery and equipment	3-15 years

Note 2 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Division 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 Division is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Division in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, obligations of U.S. Treasury agencies and instrumentalities, commercial paper rated A-2 by Standard & Poor's Corporation or P-2 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and reverse repurchase agreements, but not the remainder of State statutory authority as listed above.

The Division's deposits and investment policy are in accordance with statutory authority.

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

**Notes to Financial Statements
December 31, 2004 and 2003**

Note 2 - Deposits and Investments (Continued)

At year end, deposits and investments were reported in the basic financial statements in the following categories:

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 10,868,190	\$ 12,956,659
Restricted assets	<u>33,137,702</u>	<u>38,922,426</u>
Total	<u>\$ 44,005,892</u>	<u>\$ 51,879,085</u>

The breakdown between deposits and investments is as follows:

	<u>2004</u>	<u>2003</u>
Bank deposits (checking and savings accounts and certificates of deposit)	\$ 36,349,922	\$ 45,574,888
Investment in commercial paper	1,290,000	1,330,000
Investment in Federal National Mortgage Association obligations	6,365,320	4,973,547
Petty cash and cash on hand	<u>650</u>	<u>650</u>
Total	<u>\$ 44,005,892</u>	<u>\$ 51,879,085</u>

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$37,707,569 and \$45,627,999 at December 31, 2004 and 2003, respectively. The County treasurer is the custodian of the Division's funds along with those of the County itself. The Division's funds are not separately insured. Therefore, the Division is unable to determine the amount of its bank deposits guaranteed by federal depository insurance.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 2 - Deposits and Investments (Continued)

Investments are categorized into these three categories of credit risk:

1. Insured or registered, with securities held by the local governmental unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the local governmental unit's name

All investments held at December 31, 2004 and 2003 are classified as Category 2.

The Federal National Mortgage Association obligations are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer modest credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 3 - Capital Assets

The following is a summary of proprietary fund-type capital assets at December 31, 2004:

	Balance January 1, 2004	Increases	Decreases	Balance December 31, 2004
Proprietary funds capital assets:				
Enterprise Fund:				
Capital assets not being depreciated:				
Land	\$ 462,688	\$ 153,166	\$ -	\$ 615,854
Construction in progress	<u>36,504,220</u>	<u>32,766,375</u>	<u>(15,624,239)</u>	<u>53,646,356</u>
Subtotal	36,966,908	32,919,541	(15,624,239)	54,262,210
Capital assets being depreciated:				
Distribution and collections system	48,426,024	2,560,815	-	50,986,839
Buildings and equipment	<u>59,395,558</u>	<u>11,919,229</u>	<u>-</u>	<u>71,314,787</u>
Subtotal	107,821,582	14,480,044	-	122,301,626
Less accumulated depreciation for:				
Distribution and collections system	(7,113,343)	(194,258)	-	(7,307,601)
Buildings and equipment	<u>(14,017,354)</u>	<u>(1,628,868)</u>	<u>-</u>	<u>(15,646,222)</u>
Subtotal	<u>(21,130,697)</u>	<u>(1,823,126)</u>	<u>-</u>	<u>(22,953,823)</u>
Net capital assets being depreciated	<u>86,690,885</u>	<u>12,656,918</u>	<u>-</u>	<u>99,347,803</u>
Total capital assets - Net of depreciation	123,657,793	45,576,459	(15,624,239)	153,610,013
Internal Service Fund:				
Capital assets not being depreciated -				
Construction in progress	179,595	72,011	(127,654)	123,952
Capital assets being depreciated - Buildings and equipment				
	5,154,460	567,280	(4,300)	5,717,440
Less accumulated depreciation - Buildings and equipment				
	<u>(2,427,555)</u>	<u>(475,323)</u>	<u>3,440</u>	<u>(2,899,438)</u>
Net capital assets being depreciated	<u>2,726,905</u>	<u>91,957</u>	<u>(860)</u>	<u>2,818,002</u>
Total capital assets - Net of depreciation	<u>2,906,500</u>	<u>163,968</u>	<u>(128,514)</u>	<u>2,941,954</u>
Total proprietary funds capital assets	<u>\$ 126,564,293</u>	<u>\$ 45,740,427</u>	<u>\$ (15,752,753)</u>	<u>\$ 156,551,967</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 3 - Capital Assets (Continued)

Construction Commitments - The Division has active construction projects at year end. The projects include improvements and extensions to the water and sewage disposal systems. At December 31, 2004, the Division's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Interceptor and treatment facilities	\$ 18,314,310	\$ 8,799,521
Sewage disposal system, District 3	4,112,836	3,794,147
Sewage disposal system, District 7	8,729	6,698
Water supply system	<u>19,468,812</u>	<u>12,059,413</u>
Total	<u>\$ 41,904,687</u>	<u>\$ 24,659,779</u>

Note 4 - Bonds Payable

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 that pledge the full faith and credit of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

The following is a summary of bond transactions for the Division for the year ended December 31, 2004:

	Number of Issues	Interest Rate	Maturing Through	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Interceptor and treatment facilities	22	2.50%-9.50%	2022	\$ 41,165,000	\$ -	\$ (7,390,000)	\$ 33,775,000	\$ 4,740,000
District No. 3	9	3.25%-9.50%	2024	29,805,000	12,600,000	(1,600,000)	40,805,000	1,745,000
District No. 7	2	3.70%-5.60%	2008	500,000	-	(175,000)	325,000	75,000
Water supply system	7	2.50%-8.00%	2030	<u>28,695,000</u>	<u>14,960,000</u>	<u>(1,095,000)</u>	<u>42,560,000</u>	<u>970,000</u>
Total				<u>\$ 100,165,000</u>	<u>\$ 27,560,000</u>	<u>\$ (10,260,000)</u>	<u>\$ 117,465,000</u>	<u>\$ 7,530,000</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 4 - Bonds Payable (Continued)

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

Years Ending December 31	Principal	Interest	Total
2005	\$ 7,530,000	\$ 5,286,079	\$ 12,816,079
2006	6,930,000	4,912,471	11,842,471
2007	6,950,000	4,782,450	11,732,450
2008	6,690,000	4,324,919	11,014,919
2009	4,905,000	4,025,197	8,930,197
2010-2014	28,120,000	16,558,555	44,678,555
2015-2019	25,650,000	10,049,281	35,699,281
2020-2024	30,690,000	8,667,548	39,357,548
Total	<u>\$ 117,465,000</u>	<u>\$ 58,606,500</u>	<u>\$ 176,071,500</u>

Note 5 - Pension Plan

Plan Description - The Division participates in the Genesee County Employees' Retirement System (GCERS), which is a contributory agent multiemployer defined benefit plan providing for pension and disability benefits for substantially all Genesee County employees. Each employer has the ability to negotiate and/or establish benefits through personnel policies. The authority to establish and amend the benefit provisions of the plan is governed by Act No. 156, Public Acts of 1851, as amended by the State of Michigan. The GCERS issues a publicly available financial report that includes financial statements and required supplementary information for the Division. That report may be obtained by writing to Genesee County Employees' Retirement System, 1101 Beach, Flint, MI 48502 or by calling 1-800-949-2627.

Funding Policy - The County's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost is determined using an attained age actuarial funding method.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2004 and 2003

Note 5 - Pension Plan (Continued)

Annual Pension Cost - During 2004 and 2003, the Division's annual pension cost of \$985,616 and \$316,445, respectively, was equal to the Division's required and actual contributions. The required contributions were determined as part of the December 31, 2002 and 2001 actuarial valuations, respectively, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, and (b) projected salary increases of 5.00 percent to 9.03 percent per year compounded annually. Both (a) and (b) included an inflation component of 5.00 percent. The actuarial value of the Division's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The Division's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis, with the remaining amortization period at December 31, 2004 of 20 years.

Schedule of Employer Contributions

Fiscal Year Ended December 31	Valuation Date December 31	Contribution Rate as Percentage of Valuation Payroll	Required Contribution	Actual Reported Contribution
2000	1998	4.14	\$ 186,163	\$ 186,163
2001	1999	2.08	100,793	100,793
2002	2000	3.02	175,711	175,711
2003	2001	4.71	316,445	316,445
2004	2002	14.00	985,616	985,616

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

**Notes to Financial Statements
December 31, 2004 and 2003**

Note 5 - Pension Plan (Continued)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Valuation Payroll (c)	(UAAL) as a Percentage of Covered Payroll ((b-a)/c)
2000	\$ 35,107,000	\$ 30,384,000	\$ (4,723,000)	115.5	\$ 5,012,000	(94.2)
2001	35,333,000	31,210,000	(4,123,000)	113.2	5,452,000	(75.6)
2002	34,360,035	34,969,330	609,295	98.3	6,452,516	9.4
2003	33,620,996	35,846,959	2,225,963	93.8	7,462,807	29.8
2004	33,560,800	37,135,406	3,574,606	90.4	7,736,745	46.2

Note 6 - 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 has purchased commercial insurance for all claims. Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 7 - Contingencies and Commitments

Various claims and lawsuits are pending against the Division. One such lawsuit relates to the County Capital Improvement Fees (CCIF) reported in the I&T Division and the Water Division. These fees represent charges for connection to the water and sewer systems in relation to system expansion. The Division has collected approximately \$13,214,000 as of December 31, 2004. In 2004, a judgment in the Appellate Court has been rendered in favor of the Division. Therefore, no liability has been recognized in the financial statements. Because of the judgment, \$3,663,790 was used to pay on the debt issued for the Western Trunk Relief Sewer and Water Supply III. The case is now in appeals with the Michigan Supreme Court. All other claims and lawsuits, in the opinion of management, will not have a significant effect on the Division's financial statements.

Supplemental Information

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Net Assets (Divisional Detail) - Enterprise Fund

	December 31					
	2004				2003	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
	District No. 3	District No. 7				
Assets						
Current assets:						
Cash and cash equivalents	\$ 6,906,447	\$ (549,212)	\$ (65,643)	\$ 4,421,975	\$ 10,713,567	\$ 12,842,574
Accounts receivable	1,224,770	395,114	34,363	1,517,574	3,171,821	3,225,227
Prepaid expenses	36,688	-	-	-	36,688	-
Due from other governmental units	-	-	-	157,087	157,087	42,514
Leases receivable	3,045,000	1,745,000	75,000	315,000	5,180,000	6,465,000
Inventory	-	-	-	8,813	8,813	5,860
Total current assets	11,212,905	1,590,902	43,720	6,420,449	19,267,976	22,581,175
Noncurrent assets:						
Restricted cash and cash equivalents	4,753,255	9,100,544	944	19,282,959	33,137,702	38,922,426
Due from other governmental units	393,865	302,000	11,160	692,216	1,399,241	1,735,219
Leases receivable	9,080,000	39,060,000	250,000	915,000	49,305,000	41,885,000
Local unit construction in progress	412,625	8,081,556	-	50,247	8,544,428	667,181
Capital assets:						
Land and other assets not being depreciated	22,067,231	-	-	32,194,979	54,262,210	36,966,908
Buildings and equipment - Net of depreciation	89,099,352	18,326	-	10,230,125	99,347,803	86,690,885
Total noncurrent assets	125,806,328	56,562,426	262,104	63,365,526	245,996,384	206,867,619
Total assets	137,019,233	58,153,328	305,824	69,785,975	265,264,360	229,448,794
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	1,605,649	110,000	29,887	794,524	2,540,060	3,151,364
Due to other governmental units	7,000	-	744	4,770	12,514	16,540
Unearned leases	16,452	16,425,054	10,735	59,822	16,512,063	3,223,771
Bonds payable	4,740,000	1,745,000	75,000	970,000	7,530,000	10,260,000
Total current liabilities	6,369,101	18,280,054	116,366	1,829,116	26,594,637	16,651,675
Noncurrent liabilities:						
Liabilities related to restricted assets	2,010,405	755,846	425	1,812,443	4,579,119	2,439,146
Internal balances	(86,245)	594	158	(230,410)	(315,903)	(836,445)
Deferred revenue	-	-	-	129,087	129,087	150,602
Bonds payable - Net of current portion	29,035,000	39,060,000	250,000	41,590,000	109,935,000	89,905,000
Total noncurrent liabilities	30,959,160	39,816,440	250,583	43,301,120	114,327,303	91,658,303
Total liabilities	37,328,261	58,096,494	366,949	45,130,236	140,921,940	108,309,978
Net Assets						
Invested in capital assets - Net of related debt	89,516,583	18,326	-	15,446,278	104,981,187	94,382,476
Restricted for capital outlay	2,127,167	-	-	3,038,490	5,165,657	10,558,612
Restricted for debt service	615,683	-	-	80,852	696,535	743,315
Unrestricted	7,431,539	38,508	(61,125)	6,090,119	13,499,041	15,454,413
Total net assets	\$ 99,690,972	\$ 56,834	\$ (61,125)	\$ 24,655,739	\$ 124,342,420	\$ 121,138,816

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2004				2003	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
	District No. 3	District No. 7				
Operating Revenue						
Sewage disposal service	\$ 13,206,695	\$ 2,172,921	\$ 614,856	\$ -	\$ 15,994,472	\$ 15,800,023
Billing services	47,407	1,278	1,372	29,200	79,257	79,792
Sewer and pumping station - Operation and maintenance	599,580	-	-	-	599,580	575,691
Inspection fees	14,920	-	-	-	14,920	18,047
Water sales	-	-	-	13,776,788	13,776,788	12,223,273
Water meter sales	-	-	-	145,294	145,294	115,150
Other operating revenue	478,640	1,084	400	180,342	660,466	688,631
Total operating revenue	14,347,242	2,175,283	616,628	14,131,624	31,270,777	29,500,607
Operating Expenses						
Personnel services	6,864,984	1,727,020	279,089	1,753,660	10,624,753	9,420,703
Contractual services	484,885	79,057	16,379	299,543	879,864	939,436
Sludge disposal service	851,537	125,352	-	-	976,889	953,984
Cost of water	-	-	-	8,272,341	8,272,341	8,338,065
Repairs and maintenance	1,533,724	231,543	229,059	522,513	2,516,839	1,968,650
Utilities	2,171,173	307,419	98,230	39,832	2,616,654	2,490,473
Other supplies and expense	1,254,541	190,192	44,793	524,623	2,014,149	1,819,689
Insurance claims and expenses	445,933	66,076	47,101	208,232	767,342	472,112
Depreciation	1,690,593	2,296	-	130,237	1,823,126	1,540,181
Total operating expenses	15,297,370	2,728,955	714,651	11,750,981	30,491,957	27,943,293
Operating Income (Loss)	(950,128)	(553,672)	(98,023)	2,380,643	778,820	1,557,314
Nonoperating Revenue (Expense)						
Interest and investment revenue	315,328	974	291	282,517	599,110	591,229
Miscellaneous revenue	1,937,031	-	-	1,892,322	3,829,353	3,977,442
Interest expense	(973,077)	-	-	(1,252,500)	(2,225,577)	(904,035)
Total nonoperating revenue	1,279,282	974	291	922,339	2,202,886	3,664,636
Income (Loss) - Before capital contributions	329,154	(552,698)	(97,732)	3,302,982	2,981,706	5,221,950
Capital Contributions	499,734	-	-	-	499,734	-
Operating Transfer	(157,647)	(8,326)	(1,510)	(110,353)	(277,836)	-
Change in Net Assets	671,241	(561,024)	(99,242)	3,192,629	3,203,604	5,221,950
Net Assets - Beginning of year	99,019,731	617,858	38,117	21,463,110	121,138,816	115,916,866
Net Assets (Deficit) - End of year	<u>\$ 99,690,972</u>	<u>\$ 56,834</u>	<u>\$ (61,125)</u>	<u>\$ 24,655,739</u>	<u>\$ 124,342,420</u>	<u>\$ 121,138,816</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2004			2003		
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
	District No. 3	District No. 7				
Cash Flows from Operating Activities						
Cash received from customers	\$ 14,832,815	\$ 2,162,026	\$ 605,035	\$ 14,233,689	\$ 31,833,565	\$ 29,294,929
Cash payments to suppliers and others for goods and services	(6,021,884)	(495,368)	(467,685)	(9,353,628)	(16,338,565)	(17,237,507)
Cash payments to employees	(6,864,984)	(1,727,020)	(279,089)	(1,753,660)	(10,624,753)	(9,420,703)
Net cash provided by (used in) operating activities	1,945,947	(60,362)	(141,739)	3,126,401	4,870,247	2,636,719
Cash Flows from Capital and Related Financing Activities						
Purchases of capital assets	(13,225,957)	(780,196)	-	(18,523,877)	(32,530,030)	(22,378,378)
Capital contributions from communities	(1,385,496)	-	-	-	(1,385,496)	173,103
County capital improvement fees	1,938,590	-	-	1,828,070	3,766,660	3,872,864
Collections of leases receivable from municipalities	4,225,000	-	175,000	465,000	4,865,000	5,658,413
Amounts paid on behalf of municipalities	-	(11,000,000)	-	-	(11,000,000)	-
Proceeds from issuance of revenue bond	-	-	-	14,960,000	14,960,000	40,000,000
Proceeds from issuance of bonded debt	-	12,600,000	-	-	12,600,000	-
Principal paid on bond maturities	(7,390,000)	(1,600,000)	(175,000)	(1,095,000)	(10,260,000)	(7,935,000)
Interest paid on bonds	(973,077)	-	-	(1,252,500)	(2,225,577)	(3,274,963)
Premium on bonded debt	-	-	-	78,760	78,760	-
Administrative costs associated with bond issues	(1,559)	-	-	(14,508)	(16,067)	17,093
Net cash provided by (used in) capital and related financing activities	(16,812,499)	(780,196)	-	(3,554,055)	(21,146,750)	16,133,132
Cash Flows from Investing Activities						
Investment income	315,328	974	291	282,517	599,110	591,229
Proceeds from sale of investments	-	8,041,498	-	-	8,041,498	-
Operating transfer	(157,647)	(8,326)	(1,510)	(110,353)	(277,836)	-
Net cash provided by (used in) investing activities	157,681	8,034,146	(1,219)	172,164	8,362,772	591,229
Net Increase (Decrease) in Cash and Cash Equivalents	(14,708,871)	7,193,588	(142,958)	(255,490)	(7,913,731)	19,361,080
Cash and Cash Equivalents - Beginning of year	26,368,573	1,357,744	78,259	23,960,424	51,765,000	32,403,920
Cash and Cash Equivalents - End of year	<u>\$ 11,659,702</u>	<u>\$ 8,551,332</u>	<u>\$ (64,699)</u>	<u>\$ 23,704,934</u>	<u>\$ 43,851,269</u>	<u>\$ 51,765,000</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	\$ (950,128)	\$ (553,672)	\$ (98,023)	\$ 2,380,643	\$ 778,820	\$ 1,557,314
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	1,690,593	2,296	-	130,237	1,823,126	1,540,181
Changes in assets and liabilities:						
Accounts receivable	153,776	(14,202)	(628)	(85,540)	53,406	(867,812)
Inventories	-	-	-	(2,953)	(2,953)	9,042
Accounts payable, accrued expenses, and deferred revenue	639,774	504,271	(32,123)	390,264	1,502,186	2,331,595
Internal balances	331,797	945	195	187,605	520,542	360,147
Due to/from other governmental units - Net	80,135	-	(11,160)	126,145	195,120	(2,293,748)
Net cash provided by (used in) operating activities	<u>\$ 1,945,947</u>	<u>\$ (60,362)</u>	<u>\$ (141,739)</u>	<u>\$ 3,126,401</u>	<u>\$ 4,870,247</u>	<u>\$ 2,636,719</u>
Composition of Cash and Cash Equivalents:						
Cash and cash equivalents	\$ 6,906,447	\$ (549,212)	\$ (65,643)	\$ 4,421,975	\$ 10,713,567	\$ 12,842,574
Restricted cash and cash equivalents	4,753,255	9,100,544	944	19,282,959	33,137,702	38,922,426
Total cash and cash equivalents	<u>\$ 11,659,702</u>	<u>\$ 8,551,332</u>	<u>\$ (64,699)</u>	<u>\$ 23,704,934</u>	<u>\$ 43,851,269</u>	<u>\$ 51,765,000</u>

During the year, there were no noncash operating, financing, or investing activities.

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
Total Interceptor and Treatment Facilities (Pages 40-45)	\$ 41,165,000	\$ (7,390,000)	\$ 33,775,000
Total District No. 3 (Pages 46-47)	29,805,000	11,000,000	40,805,000
District No. 7 - 4.00% to 5.60% Sewage Disposal System Refunding Bonds dated March 1, 1994 in the original amount of \$775,000. Due serially in amounts ranging from \$75,000 to \$100,000 through 2004	100,000	(100,000)	-
District No. 7 - 3.700% to 4.500% Sewage Disposal System Facility Bonds dated June 1, 1999 in the amount of \$675,000. Due serially in amounts ranging from \$50,000 to \$100,000 through 2008	400,000	(75,000)	325,000
Total Water Supply Systems (Pages 48-49)	28,695,000	13,865,000	42,560,000
Total	<u>\$ 100,165,000</u>	<u>\$ 17,300,000</u>	<u>\$ 117,465,000</u>

Summary of Bonds Payable Year Ended December 31, 2004

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ 4,740,000	\$ 3,420,000	\$ 3,330,000	\$ 2,960,000	\$ 1,855,000	\$ 17,470,000	\$ 33,775,000
Interest	1,426,347	1,255,543	1,096,636	945,844	837,954	3,518,951	9,081,275
Principal	1,745,000	2,240,000	2,320,000	2,375,000	2,065,000	30,060,000	40,805,000
Interest	1,863,003	1,807,357	1,693,076	1,620,271	1,471,357	9,009,850	17,464,914
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Principal	75,000	75,000	75,000	100,000	-	-	325,000
Interest	14,175	11,025	7,800	4,500	-	-	37,500
Principal	970,000	1,195,000	1,225,000	1,255,000	985,000	36,930,000	42,560,000
Interest	<u>1,982,554</u>	<u>1,838,546</u>	<u>1,984,938</u>	<u>1,754,304</u>	<u>1,715,886</u>	<u>22,746,583</u>	<u>32,022,811</u>
Principal	7,530,000	6,930,000	6,950,000	6,690,000	4,905,000	84,460,000	117,465,000
Interest	<u>5,286,079</u>	<u>4,912,471</u>	<u>4,782,450</u>	<u>4,324,919</u>	<u>4,025,197</u>	<u>35,275,384</u>	<u>58,606,500</u>
	<u>\$ 12,816,079</u>	<u>\$ 11,842,471</u>	<u>\$ 11,732,450</u>	<u>\$ 11,014,919</u>	<u>\$ 8,930,197</u>	<u>\$ 119,735,384</u>	<u>\$ 176,071,500</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
Total Genesee County Drain Commissioner bonds payable: Included in Interceptor and Treatment Facilities	\$ 24,815,000	\$ (3,165,000)	\$ 21,650,000
Included in Water Supply System	27,000,000	(630,000)	26,370,000
Subtotal	51,815,000	(3,795,000)	48,020,000
Total community-related bonds payable	48,350,000	21,095,000	69,445,000
Total	\$ 100,165,000	\$ 17,300,000	\$ 117,465,000

Summary of Bonds Payable (Continued) Year Ended December 31, 2004

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ 1,695,000	\$ 1,275,000	\$ 1,320,000	\$ 1,415,000	\$ 1,465,000	\$ 14,480,000	\$ 21,650,000
Interest	889,390	832,794	782,877	727,322	666,710	2,736,415	6,635,508
Principal	655,000	685,000	715,000	750,000	780,000	22,785,000	26,370,000
Interest	<u>1,162,023</u>	<u>1,142,623</u>	<u>1,122,323</u>	<u>1,099,798</u>	<u>1,074,798</u>	<u>14,367,085</u>	<u>19,968,650</u>
Principal	2,350,000	1,960,000	2,035,000	2,165,000	2,245,000	37,265,000	48,020,000
Interest	2,051,413	1,975,417	1,905,200	1,827,120	1,741,508	17,103,500	26,604,158
Principal	5,180,000	4,970,000	4,915,000	4,525,000	2,660,000	47,195,000	69,445,000
Interest	<u>3,234,666</u>	<u>2,937,054</u>	<u>2,877,250</u>	<u>2,497,799</u>	<u>2,283,689</u>	<u>18,171,884</u>	<u>32,002,342</u>
Principal	7,530,000	6,930,000	6,950,000	6,690,000	4,905,000	84,460,000	117,465,000
Interest	<u>5,286,079</u>	<u>4,912,471</u>	<u>4,782,450</u>	<u>4,324,919</u>	<u>4,025,197</u>	<u>35,275,384</u>	<u>58,606,500</u>
	<u>\$ 12,816,079</u>	<u>\$ 11,842,471</u>	<u>\$ 11,732,450</u>	<u>\$ 11,014,919</u>	<u>\$ 8,930,197</u>	<u>\$ 119,735,384</u>	<u>\$ 176,071,500</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
3.50% to 4.70% County of Genesee Sanitary Sewage Disposal System (Interceptor and Treatment Facilities) Revenue Bonds, Series 2002A dated 5-1-02 in the original amount of \$11,000,000. Due serially in various amounts ranging from \$485,000 to \$1,020,000 through 2017	\$ 10,515,000	\$ (515,000)	\$ 10,000,000
2.00% to 4.50% County of Genesee Sanitary Sewage Disposal System (Western Trunk Relief Sewer) Revenue Bonds, Series 2003 dated 8-1-03 in the original amount of \$9,000,000. Due serially in various amounts ranging from \$350,000 to \$2,350,000 through 2018	9,000,000	(2,350,000)	6,650,000
2.50% to 5.00% System No. 1 Main Interceptor and Branches dated 9/1/65 in the original amount of \$13,000,000. Due serially in amounts ranging from \$550,000 to \$600,000 through 2004	600,000	(600,000)	-
6.00% Swartz Creek Interceptor dated 11/1/69 in the original amount of \$2,400,000. Due serially in amounts ranging from \$100,000 to \$125,000 through 2004	125,000	(125,000)	-
4.00% to 6.00% Grand Blanc Township Laterals - Series 1972 dated 9/1/72 in the original amount of \$5,200,000. Due serially in amounts ranging from \$250,000 to \$300,000 through 2004	300,000	(300,000)	-
6.00% System No. 6 South Section dated 11/1/69 in the original amount of \$1,845,000. Due serially in amounts ranging from \$75,000 to \$100,000 through 2004	100,000	(100,000)	-
4.40% to 5.00% Flint Township Arm dated 6/1/67 in the original amount of \$4,500,000. Due serially in amounts of \$200,000 through 2005	400,000	(200,000)	200,000
4.00% to 7.50% Flint Township Lateral System - Series 1971 dated 6/1/71 in the original amount of \$7,000,000. Due serially in amounts ranging from \$300,000 to \$400,000 through 2005	800,000	(400,000)	400,000
4.00% to 7.50% Flint Township Lateral System - Series 1972 dated 5/1/72 in the original amount of \$5,500,000. Due serially in amounts ranging from \$250,000 to \$300,000 through 2005	600,000	(300,000)	300,000

**Schedule of Bonds Payable
Interceptor and Treatment Facilities
Year Ended December 31, 2004**

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ 545,000	\$ 575,000	\$ 605,000	\$ 640,000	\$ 675,000	\$ 6,960,000	\$ 10,000,000
Interest	410,768	390,672	368,755	344,460	318,160	1,337,839	3,170,654
Principal	850,000	350,000	365,000	375,000	390,000	4,320,000	6,650,000
Interest	233,622	216,622	209,622	200,862	190,550	978,576	2,029,854
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Principal	200,000	-	-	-	-	-	200,000
Interest	4,600	-	-	-	-	-	4,600
Principal	400,000	-	-	-	-	-	400,000
Interest	8,000	-	-	-	-	-	8,000
Principal	300,000	-	-	-	-	-	300,000
Interest	6,000	-	-	-	-	-	6,000

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
3.90% to 4.45% Sewage Disposal System No. 5, Village of Goodrich Refunding Bonds, dated 6/1/98 in the original amount of \$1,155,000. Due serially in amounts ranging from \$140,000 to \$155,000 through 2006	\$ 435,000	\$ (140,000)	\$ 295,000
5.00% to 7.00% Mt. Morris Township Local Sewer System dated 10/1/68 in the original amount of \$6,400,000. Due serially in various amounts through 2007	1,100,000	(275,000)	825,000
3.90% to 4.55% Sewage Disposal Refunding Bonds (Genesee Township) dated 7/1/98 in the original amount of \$3,175,000. Due serially in various amounts through 2008	1,515,000	(310,000)	1,205,000
4.00% to 5.50% Davison Township Sub-Truck System dated 6/1/68 in the original amount of \$2,300,000. Due serially in amounts ranging from \$75,000 to \$100,000 through 2008	500,000	(100,000)	400,000
5.00% Davison Township Lateral System dated 6/1/68 in the original amount of \$970,000. Due serially in amounts ranging from \$35,000 to \$40,000 through 2008	200,000	(40,000)	160,000
4.00% to 6.00% City of Burton Arm (Burton Township Arm) dated 1/1/68 and 4/1/69 in the original amounts of \$7,100,000 and \$3,400,000, respectively. Due serially in various amounts ranging from \$215,000 to \$515,000 through 2008	775,000	(215,000)	560,000
4.00% to 6.00% City of Burton Lateral System (Burton Township Lateral System) dated 1/1/68 and 4/1/69 in the original amounts of \$3,660,000 and \$2,340,000, respectively. Due serially in various amounts ranging from \$230,000 to \$280,000 through 2008	1,220,000	(280,000)	940,000
4.00% to 5.50% Southeast Extension to System No. 2 dated 10/1/68 in the original amount of \$2,500,000. Due serially in amounts of \$100,000 through 2008	500,000	(100,000)	400,000

**Schedule of Bonds Payable
Interceptor and Treatment Facilities (Continued)
Year Ended December 31, 2004**

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ 145,000	\$ 150,000	\$ -	\$ -	\$ -	\$ -	295,000
Interest	13,055	6,675	-	-	-	-	19,730
Principal	275,000	275,000	275,000	-	-	-	825,000
Interest	40,562	24,338	8,113	-	-	-	73,013
Principal	305,000	305,000	300,000	295,000	-	-	1,205,000
Interest	46,826	33,482	20,097	6,711	-	-	107,116
Principal	100,000	100,000	100,000	100,000	-	-	400,000
Interest	14,450	10,000	6,000	2,000	-	-	32,450
Principal	40,000	40,000	40,000	40,000	-	-	160,000
Interest	7,000	5,000	3,000	1,000	-	-	16,000
Principal	140,000	140,000	140,000	140,000	-	-	560,000
Interest	26,950	23,100	11,550	3,850	-	-	65,450
Principal	280,000	280,000	280,000	100,000	-	-	940,000
Interest	39,680	32,520	19,860	2,750	-	-	94,810
Principal	100,000	100,000	100,000	100,000	-	-	400,000
Interest	14,450	10,000	6,000	2,000	-	-	32,450

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
5.70% to 6.00% Vienna Township Arm dated 2/1/69 in the original amount of \$4,350,000. Due serially in amounts ranging from \$175,000 to \$200,000 through 2008	\$ 1,000,000	\$ (200,000)	\$ 800,000
3.75% to 4.75% Sewage Disposal System Refunding Bonds dated 7/1/98 in the original amount of \$3,335,000. Due serially in amounts ranging from \$315,000 to \$330,000 through 2010	1,705,000	(315,000)	1,390,000
5.00% to 7.00% Mt. Morris Township - Frances/Webster Road Section dated 10/1/96 in the original amount of \$1,475,000. Due serially in amounts ranging from \$75,000 to \$150,000 through 2012	1,000,000	(100,000)	900,000
4.00% to 5.00% Full Faith and Credit Revenue Bonds, Series 2000, dated 8/31/00 in the amount of \$6,000,000. Due serially in amounts ranging from \$200,000 to \$600,000 through 2014	5,300,000	(300,000)	5,000,000
4.95% to 5.70% Mt. Morris Township Sewer Program Series 1999, dated 12/1/99 in the amount of \$3,800,000. Due serially in amounts ranging from \$100,000 to \$300,000 through 2019	3,475,000	(125,000)	3,350,000
Total	<u>\$ 41,165,000</u>	<u>\$ (7,390,000)</u>	<u>\$ 33,775,000</u>

**Schedule of Bonds Payable
Interceptor and Treatment Facilities (Continued)
Year Ended December 31, 2004**

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ 800,000
Interest	41,300	29,500	17,700	5,900	-	-	94,400
Principal	310,000	305,000	300,000	295,000	90,000	90,000	1,390,000
Interest	54,990	41,615	28,230	14,918	6,232	2,092	148,077
Principal	100,000	100,000	100,000	100,000	100,000	400,000	900,000
Interest	42,500	37,500	32,500	27,500	22,500	31,250	193,750
Principal	300,000	350,000	350,000	400,000	400,000	3,200,000	5,000,000
Interest	245,000	225,500	204,500	182,000	158,000	420,000	1,435,000
Principal	150,000	150,000	175,000	175,000	200,000	2,500,000	3,350,000
Interest	176,594	169,019	160,709	151,893	142,512	749,194	1,549,921
Principal	4,740,000	3,420,000	3,330,000	2,960,000	1,855,000	17,470,000	33,775,000
Interest	1,426,347	1,255,543	1,096,636	945,844	837,954	3,518,951	9,081,275
	\$ 6,166,347	\$ 4,675,543	\$ 4,426,636	\$ 3,905,844	\$ 2,692,954	\$ 20,988,951	\$ 42,856,275

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
4.00% to 6.00% Fenton Road Arm dated 11/1/72 in the original amount of \$3,500,000. Due serially in amounts of \$200,000 through 2004	\$ 200,000	\$ (200,000)	\$ -
5.70% to 6.00% Torrey and Ponemah Road Arms dated 6/1/68 in the original amount of \$1,925,000. Due serially in various amounts ranging from \$70,000 to \$80,000 through 2008	400,000	(80,000)	320,000
5.20% to 7.00% Sewage Disposal System Bonds, Series 1996A in the original amount of \$17,445,000. Due serially in amounts ranging from \$280,000 to \$1,400,000 through 2016	15,570,000	(720,000)	14,850,000
3.70% to 4.55% Sewage Disposal System Refunding Bonds dated 5/1/98 in the original amount of \$3,370,000. Due serially in amounts ranging from \$280,000 to \$395,000 through 2008	1,825,000	(360,000)	1,465,000
5.00% to 7.375% Rolston and Ripley Road Arms dated 11/1/96 in the original amount of \$1,240,000. Due serially in various amounts ranging from \$25,000 to \$100,000 through 2017	1,125,000	(50,000)	1,075,000
4.50% to 5.00% Sewage Disposal System Bonds dated 7/1/98 in the original amount of \$7,140,000. Due serially in amounts ranging from \$80,000 to \$915,000 through 2019	6,685,000	(190,000)	6,495,000
4.00% to 5.00% Sewage Disposal System Bonds dated 12/1/04 in the original amount of \$8,000,000. Due serially in amounts ranging from \$250,000 to \$700,000 through 2024	-	8,000,000	8,000,000
4.00% to 5.00% Sewage Disposal System Bonds dated 12/1/04 in the original amount of \$4,600,000. Due serially in amounts ranging from \$100,000 to \$400,000 through 2024	-	4,600,000	4,600,000
2.50% to 4.50% Sewage Disposal System Bonds dated 12/1/03 in the original amount of \$4,000,000. Due serially in amounts ranging from \$125,000 to \$250,000 through 2024	4,000,000	-	4,000,000
Total	<u>\$ 29,805,000</u>	<u>\$ 11,000,000</u>	<u>\$ 40,805,000</u>

**Schedule of Bonds Payable - Sewage Disposal Systems
District No. 3
Year Ended December 31, 2004**

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-
Principal	80,000	80,000	80,000	80,000	-	-	320,000
Interest	16,520	11,800	7,800	2,360	-	-	38,480
Principal	950,000	950,000	950,000	1,150,000	1,225,000	9,625,000	14,850,000
Interest	781,925	723,975	674,338	618,350	554,225	1,851,175	5,203,988
Principal	350,000	395,000	390,000	330,000	-	-	1,465,000
Interest	62,975	49,750	23,693	47,385	-	-	183,803
Principal	50,000	75,000	75,000	75,000	75,000	725,000	1,075,000
Interest	56,013	52,887	49,437	45,350	41,487	169,456	414,630
Principal	190,000	265,000	325,000	190,000	190,000	5,335,000	6,495,000
Interest	313,482	302,795	288,783	276,551	267,526	1,705,783	3,154,920
Principal	-	250,000	250,000	300,000	300,000	6,900,000	8,000,000
Interest	309,146	332,250	322,250	311,250	299,250	2,515,375	4,089,521
Principal	-	100,000	100,000	100,000	100,000	4,200,000	4,600,000
Interest	176,917	191,000	187,000	183,000	179,000	1,631,000	2,547,917
Principal	125,000	125,000	150,000	150,000	175,000	3,275,000	4,000,000
Interest	146,025	142,900	139,775	136,025	129,869	1,137,061	1,831,655
Principal	1,745,000	2,240,000	2,320,000	2,375,000	2,065,000	30,060,000	40,805,000
Interest	1,863,003	1,807,357	1,693,076	1,620,271	1,471,357	9,009,850	17,464,914
	\$ 3,608,003	\$ 4,047,357	\$ 4,013,076	\$ 3,995,271	\$ 3,536,357	\$ 39,069,850	\$ 58,269,914

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2004	Issued (Retired) During the Year	Principal Outstanding December 31, 2004
2.50% to 4.375% Water Supply System Revenue Bonds dated 8/3/03 in the original amount of \$9,000,000. Due serially in amounts ranging from \$455,000 to \$775,000 through 2018	\$ 9,000,000	\$ (455,000)	\$ 8,545,000
4.00% to 4.625% Water Supply System Revenue Bonds dated 10/1/03 in the original amount of \$18,000,000. Due serially and term in amounts ranging from \$175,000 to \$10,495,000 through 2033	18,000,000	(175,000)	17,825,000
3.00% to 5.00% Water Supply System Revenue Bonds dated 9/1/04 in the original amount of \$14,960,000. Due serially in amounts ranging from \$200,000 to \$1,000,000 through 2030	-	14,960,000	14,960,000
5.00% to 8.00% Water System No. 4 - Mt. Morris Township - 1975 Extensions dated 11/1/74 in the original amount of \$2,500,000. Due serially in amounts of \$150,000 in 2004	150,000	(150,000)	-
5.00% to 5.85% Water Supply System No. 2 dated 6/1/68 in the amount of \$420,000. Due serially in amounts of \$15,000 through 2008	75,000	(15,000)	60,000
6.00% to 8.00% Water Supply System No. 4 - Vienna Township 11/21/78 in the original amount of \$790,000. Due serially in amounts of \$40,000 through 2008	200,000	(40,000)	160,000
3.75% to 4.50% Water Supply System Refunding Bonds dated 6/1/98 in the original amount of \$2,545,000. Due serially in amounts ranging from \$245,000 to \$270,000 through 2008	1,270,000	(260,000)	1,010,000
Total	<u>\$ 28,695,000</u>	<u>\$ 13,865,000</u>	<u>\$ 42,560,000</u>

**Schedule of Bonds Payable
Water Supply Systems
Year Ended December 31, 2004**

	2005	2006	2007	2008	2009	Later	Total
Principal	\$ 470,000	\$ 490,000	\$ 510,000	\$ 530,000	\$ 550,000	\$ 5,995,000	\$ 8,545,000
Interest	306,061	294,061	281,561	267,236	251,036	1,193,120	2,593,075
Principal	185,000	195,000	205,000	220,000	230,000	16,790,000	17,825,000
Interest	855,962	848,562	840,762	832,562	823,762	13,173,965	17,375,575
Principal	-	200,000	205,000	205,000	205,000	14,145,000	14,960,000
Interest	769,286	659,388	840,762	647,238	641,088	8,379,498	11,937,260
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Principal	15,000	15,000	15,000	15,000	-	-	60,000
Interest	2,625	1,875	1,125	375	-	-	6,000
Principal	40,000	40,000	40,000	40,000	-	-	160,000
Interest	9,660	6,900	4,140	1,380	-	-	22,080
Principal	260,000	255,000	250,000	245,000	-	-	1,010,000
Interest	38,960	27,760	16,588	5,513	-	-	88,821
Principal	970,000	1,195,000	1,225,000	1,255,000	985,000	36,930,000	42,560,000
Interest	1,982,554	1,838,546	1,984,938	1,754,304	1,715,886	22,746,583	32,022,811
	\$ 2,952,554	\$ 3,033,546	\$ 3,209,938	\$ 3,009,304	\$ 2,700,886	\$ 59,676,583	\$ 74,582,811