

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

**Financial Report
with Supplemental Information
December 31, 2008**

Genesee County Drain Commissioner Division of Water and Waste Services

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Enterprise Fund, Internal Service Funds, and business-type activities of the Genesee County Drain Commissioner Division of Water and Waste Services (a component unit of Genesee County, Michigan) (the "Division") as of December 31, 2008, which collectively comprise the Division's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Division's management. The prior year summarized comparative information has been derived from the Division's 2007 financial statements and, in our report dated June 27, 2008, we expressed unqualified opinions on the respective financial statements of the Enterprise Fund and Internal Service Funds.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, Internal Service Funds, and business-type activities of the Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2008 and the results of its operations and cash flows for the year 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.

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

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 Division of Water and Waste Services' 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.

In accordance with *Government Auditing Standards*, the report dated June 5, 2009 has been issued on our consideration of the Enterprise Fund and Internal Service Funds of the Genesee County Drain Commissioner Division of Water and Waste Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

As described in Note I, the Division implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Plante & Moran, PLLC

June 5, 2009

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

The County Improvement Act established the Genesee County Drain Commissioner as a Public Act 342 Agency. That agency created the Division of Water and Waste Services (the "Division"). The Division provides public utility services of water and wastewater treatment in parts of Genesee, Saginaw, Shiawassee, Oakland, 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 designated the Division as County Enforcing Agency for Soil Erosion.

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

The Operation and Maintenance Department - The operation and maintenance department has two primary functions: sanitary sewer collection and transportation and water distribution. It also performs contract O&M for the local communities. To ensure that these primary functions are met, the operation and maintenance 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, reads, and repairs water meters, repairs broken watermains, coordinates the repair of sanitary sewers, sewer main taps, and cut and cap services
- Provides after-hours emergency response

Treatment Facilities - 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 the following:

- Facility operation and maintenance
- Analytical support to ensure 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

Genesee County Drain Commissioner

Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

- Planning for plant improvements, equipment replacement, and upgrades
- Emergency response plan
- Storage lagoon operation and maintenance
- Discharge limitations and monitoring
- Pollutant minimization

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 No. 3 and No. 7. The District No. 3 and No. 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:

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. ARTP applied 5,455 dry tons of stabilized biosolids on approximately 2,900 acres of approved fields. District No. 3 applied 691 dry tons of stabilized biosolids on approximately 461 acres of approved fields. The Division is studying dewatering and other options for proper, cost-effective disposal.

Industrial Pretreatment Program - Under this program, the Division regulates and monitors industrial dischargers and nondomestic 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 14 significant permits being monitored. An arsenic pilot program for drinking water systems was implemented to ensure compliance with MDEQ regulations. There are approximately 20 significant industrial facilities discharging to GCDC-WWS sewer systems. The sewer use ordinance was approved by the MDEQ in early 2006 and the board of commissioners approved the ordinance in November 2006. The new ordinance will allow for best management practices in regulating silver and mercury from over 500 physician and dental offices and grease and oil from approximately 1,300 restaurants. A mercury minimization program and fats, oil, and grease (FOG) programs have been implemented through the best management practices (BMP). Interjurisdictional agreements and versions of the sewer use ordinance have been distributed to the municipalities and the local unit of government approval process is ongoing.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Water Supply - 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. The Division contracts with local municipalities to distribute water supply to outlying communities. It maintains a distribution system consisting of approximately 440 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

Genesee County took the lead in an interjurisdiction study with Lapeer and Sanilac counties for a new water supply system.

Objectives and Achievements

The main objectives of the Genesee County 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 and a flat rate is paid to the City of Flint.

Beginning January 1, 2004 and each calendar year thereafter, the flat rate of \$102,917 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. A water rate study was completed in 2003, 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. Under the 2003 agreement, Flint was to conduct and complete a study revision justifying its charges to the County based upon "true cost of service." This study is expected to modify the flat rate charged by the city in 2010.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Rate Structure

The Division established new rates for water service in 2008 and sewer service in 2007 and 2009. The rate structure requires automatic increases based upon City of Detroit increases to the City of Flint.

Grant Acquisitions

- State of Michigan Revolving Fund Program loans were approved in prior years for \$7,705,000 and \$10,500,000 to fund the Northeast Extension Sewer, of which \$2,974,138 and \$6,392,470 was collected in 2008. A single audit was conducted in accordance with standards applicable to *Government Auditing Standards* issued by the Comptroller General of the United States. This report is available at the Genesee County Drain Commissioner's office.
- The Division was approved for a \$477,000 Environmental Protection Agency grant in February 2009 to fund the next phase of the Northeast Extension Sewer Project.

Using this Annual Report

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

	December 31		Increase (Decrease)	Percent
	2008	2007		
Assets				
Current assets	\$ 19,865,639	\$ 20,667,331	\$ (801,692)	(3.9)
Restricted assets	10,796,127	13,881,251	(3,085,124)	(22.2)
Noncurrent lease receivable	36,285,000	38,920,000	(2,635,000)	(6.8)
Capital assets	258,434,861	240,181,759	18,253,102	7.6
Other noncurrent assets	25,065,444	36,479,176	(11,413,732)	(31.3)
Total assets	350,447,071	350,129,517	317,554	0.1
Liabilities				
Current liabilities	21,519,681	18,038,948	3,480,733	19.3
Liabilities payable from restricted assets	5,669,885	2,789,392	2,880,493	103.3
Other noncurrent liabilities	25,673,571	38,214,664	(12,541,093)	(32.8)
Long-term debt	159,640,641	158,834,033	806,608	0.5
Total liabilities	212,503,778	217,877,037	(5,373,259)	(2.5)
Net Assets				
Invested in capital assets - Net of related debt	132,060,331	119,267,942	12,792,389	10.7
Restricted for capital outlay	3,266,862	10,315,242	(7,048,380)	(68.3)
Restricted for debt service	-	1,122,895	(1,122,895)	(100.0)
Restricted for bond ordinance	600,000	-	600,000	100.0
Unrestricted	2,016,100	1,546,401	469,699	30.4
Total net assets	\$ 137,943,293	\$ 132,252,480	\$ 5,690,813	4.3
Operating Expenses				
December 31				
	2008	2007	Increase (Decrease)	Percent
Revenue from operations	\$ 41,753,758	\$ 39,909,869	\$ 1,843,889	4.6
Interest on operating cash and receivables	2,409,558	2,284,033	125,525	5.5
Total revenue	44,163,316	42,193,902	1,969,414	4.7
Sludge disposal charges	1,225,297	1,541,002	(315,705)	(20.5)
Cost of water	9,244,126	10,759,793	(1,515,667)	(14.1)
Operating and maintenance	22,372,000	19,565,752	2,806,248	14.3
Administrative and depreciation	6,484,541	6,080,930	403,611	6.6
Total operating expenses	39,325,964	37,947,477	1,378,487	3.6
Other nonoperating expense	(4,335,370)	(3,766,042)	(569,328)	15.1
Change in net assets - Before capital contributions	501,982	480,383	21,599	4.5
Capital contributions	5,188,831	1,875,976	3,312,855	176.6
Change in net assets	\$ 5,690,813	\$ 2,356,359	\$ 3,334,454	141.5

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Major Capital Assets and Debt Activity

The Division's Northeast Sewer Extension Project has five contracts that had additional construction in progress of \$16.9 million in 2008 and was funded by State of Michigan Revolving Fund Loans, Series 2007 \$8 million revenue bonds and Series 2009 \$15 million revenue bonds.

The Division also increased its capital assets by \$5 million due to completed construction projects funded by local units that will be maintained and operated by the Division.

Multiple construction projects funded by the Division totaling \$81.4 million were completed in 2008 which resulted in a reclassification of the construction costs from a nondepreciable asset to a depreciable asset. Construction projects completed included Contract I of the Northeast Sewer Extension Project for \$23.9 million and Phase 3 of the North Water Loop Project for \$41.2 million.

Additionally, a District No. 3 local unit construction project funded by Fenton Township for \$7.4 million was completed in 2008. The asset will not be owned by the Division and has been removed from the Division's financial statements.

As noted in the grant acquisition section previously, \$2,974,138 and \$6,392,470 of State of Michigan Revolving Fund Program loans were collected in 2008 to fund the Northeast Sewer Extension Project.

During 2008, County Capital Improvement Fees (CCIF) were used to pay the revenue debt associated with the Western Trunk/Northeast Sewer Extension Project and Water Supply III in the amounts of \$4.3 million and \$2.7 million, respectively.

Financial Overview

In analyzing the Genesee County Drain Commissioner 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 is as follows:

Statement of Net Assets

- Restricted assets decreased in the current year by approximately \$3.1 million primarily due to the use of restricted County Capital Improvement Fees (CCIF) to pay debt service and the reduction of restricted receivables from other governmental units related to grants and State Revolving Fund loans.

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Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

- Capital assets increased as described above in major capital asset activity.
- Other noncurrent assets decreased in the current year by approximately \$11.4 million due to local unit construction projects completed in 2008 and reclassified as a Division capital asset or removed from the financial statements as described above in major capital asset activity.
- Other noncurrent liabilities decreased by approximately \$12.5 million due to local unit construction projects completed in 2008 resulting in the removal of the local unit construction in progress and the related unearned lease.
- Overall, total net assets increased by \$5.7 million which is an increase of 4.3 percent. The change is the result of invested in capital assets, net of related debt increasing by \$12.8 million offset by restricted for capital outlay decreasing by \$7.0 million. Capital assets, net of related debt, increased due to \$5 million of local unit construction projects completed in 2008 and turned over to the Division for ongoing maintenance and operation along with the rate increases allowing the Division to continue funding improvements to the water and sewer systems. The decrease in restricted for capital outlay is primarily the result of a declining balance in County Capital Improvement Fees (CCIF) due to the payment of related debt service.

Statement of Revenue, Expenses, and Changes in Net Assets

- Operating revenue in the current year increased by \$2.0 million, which is a 4.7 percent increase, primarily due to increased usage from customers and the increase in rates for sewage disposal and water supply.
- Operating expenses in the current year increased \$1.4 million, which is a 3.6 percent increase. The increase is primarily due to operating and maintenance expenses increasing \$2.8 million netted with the cost of water decreasing \$1.5 million. Operating and maintenance expense increased due to the additional expense of \$.9 million reported in 2008 related to retiree healthcare, dental, life, and vision benefits as discussed in Note 6 and the recognition of \$1.1 million of start-up costs relating to the Lake Huron study. The cost of water decreased due to the 2007 payment of \$1.2 million to the City of Flint for the Henderson Road storage tank not recurring in 2008.
- Capital contributions increased \$3.3 million due to additional water and sewer infrastructure assets contributed to the Division from local units.

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		
	2006	2007	2008
Total costs charged to townships	\$ 16,758,576	\$ 20,928,508	\$ 22,343,717
Total flow (thousands of gallons)	12,323,140	10,759,035	11,125,000
Cost per thousand of gallons	\$ 1.36	\$ 1.94	\$ 2.01

In October 2007, metered water customers were charged \$2.57 per account for readiness to serve and a commodity charge of \$1.32 per 100 cubic feet of sewer. The sewer flat rate was increased to \$19.05 per month. On January 2, 2009, metered water customers were charged \$3.414 per unit for readiness to serve and a commodity charge of \$1.658 per 100 cubic feet. The sewer flat rate will be increased to \$24.14 per month. These 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		
	2006	2007	2008
Total costs charged to townships	\$ 14,375,301	\$ 16,336,861	\$ 17,377,540
Amount of purchased water (cu. ft.)	715,678,137	711,504,206	657,288,173
Amount of sold water	714,488,431	627,982,061	647,190,062
Water efficiency	100%	88%	98%

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 \$116,057 per month plus a commodity charge equal to the charge from Detroit to Flint for water. For August 2007 through July 2008, the rate was \$11.35/mcf. As described previously, the base 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. The study presented the concept of an inclining rate structure to which the Division implemented the rate changes as of January 1, 2005. The rate increases from Detroit to the City of Flint and then to the County are a pass-through to the customers from August 1, 2008 to the present and were \$13.07/mcf.

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 the director of the Division.

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Assets - Proprietary Fund Types

	December 31			
	2008			2007
	Enterprise Fund	Internal Service Fund	Total	Total
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 5,228,836	\$ 689,466	\$ 5,918,302	\$ 8,814,358
Accounts receivable	10,841,266	-	10,841,266	7,229,800
Interest receivable	-	349	349	-
Prepaid expenses and other assets	343,719	127,003	470,722	-
Due from other governmental units	-	-	-	71,519
Current portion of leases receivable	2,635,000	-	2,635,000	4,540,000
Inventory	-	-	-	11,654
Total current assets	19,048,821	816,818	19,865,639	20,667,331
Noncurrent assets:				
Restricted cash and cash equivalents (Note 2)	7,594,237	-	7,594,237	10,261,945
Restricted accounts receivable	1,907,078	-	1,907,078	-
Restricted - Due from other governmental units	1,294,812	-	1,294,812	3,619,306
Leases receivable - Net of current portion	36,285,000	-	36,285,000	38,920,000
Bond discount	65,333	-	65,333	-
Local unit construction in progress	25,000,111	-	25,000,111	36,479,176
Capital assets (Note 3):				
Land and other assets not being depreciated	62,464,490	-	62,464,490	126,645,209
Buildings and equipment - Net of depreciation	193,589,248	2,381,123	195,970,371	113,536,550
Total noncurrent assets	328,200,309	2,381,123	330,581,432	329,462,186
Total assets	347,249,130	3,197,941	350,447,071	350,129,517
Liabilities				
Current liabilities:				
Drafts payable	9,178,771	-	9,178,771	5,788,662
Accounts payable and accrued expenses	3,476,034	131,576	3,607,610	2,492,448
Due to other governmental units	303,300	-	303,300	557,838
Internal balances	39,354	(39,354)	-	-
Current portion of bonds payable (Note 4)	8,430,000	-	8,430,000	9,200,000
Total current liabilities	21,427,459	92,222	21,519,681	18,038,948
Noncurrent liabilities:				
Liabilities related to restricted assets	5,669,885	-	5,669,885	2,789,392
Due to other governmental units	330,145	-	330,145	477,703
Deferred revenue	-	-	-	629,658
Unearned leases	25,053,600	-	25,053,600	37,107,303
Bond premium	289,826	-	289,826	-
Bonds payable - Net of current portion (Note 4)	159,640,641	-	159,640,641	158,834,033
Total noncurrent liabilities	190,984,097	-	190,984,097	199,838,089
Total liabilities	212,411,556	92,222	212,503,778	217,877,037
Net Assets				
Invested in capital assets - Net of related debt	129,679,208	2,381,123	132,060,331	119,267,942
Restricted for capital outlay	3,266,862	-	3,266,862	10,315,242
Restricted for debt service	-	-	-	1,122,895
Restricted for bond ordinance	600,000	-	600,000	-
Unrestricted	1,291,504	724,596	2,016,100	1,546,401
Total net assets	<u>\$ 134,837,574</u>	<u>\$ 3,105,719</u>	<u>\$ 137,943,293</u>	<u>\$ 132,252,480</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

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

	Year Ended December 31				
	2008			2007	
	Enterprise Fund	Internal Service Fund	Eliminations	Total	Total
Operating Revenue					
Sewage disposal service	\$ 22,343,717	\$ -	\$ -	\$ 22,343,717	\$ 20,928,508
Billing services	122,583	-	-	122,583	162,808
Sewer and pumping station -					
Operation and maintenance	1,062,154	-	-	1,062,154	1,232,537
Inspection fees	1,200	-	-	1,200	2,500
Water sales	17,377,540	-	-	17,377,540	16,336,861
Water meter sales	44,508	-	-	44,508	88,207
Billing to Enterprise Fund	-	1,530,345	(1,530,345)	-	-
Other operating revenue	781,983	20,073	-	802,056	1,158,448
Total operating revenue	41,733,685	1,550,418	(1,530,345)	41,753,758	39,909,869
Operating Expenses					
Personnel services	13,202,140	-	-	13,202,140	12,856,893
Contractual services	1,469,131	-	-	1,469,131	1,785,315
Sludge disposal service	1,225,297	-	-	1,225,297	1,541,002
Cost of water	9,244,126	-	-	9,244,126	10,759,793
Repairs and maintenance	3,527,650	38,186	-	3,565,836	2,700,882
Utilities	3,737,769	-	-	3,737,769	3,329,689
Other supplies and expenses	2,296,277	-	(430,022)	1,866,255	678,288
Insurance claims and expenses	403,947	1,142,433	(1,100,323)	446,057	630,550
Depreciation	4,090,441	478,912	-	4,569,353	3,665,065
Total operating expenses	39,196,778	1,659,531	(1,530,345)	39,325,964	37,947,477
Operating Income (Loss)	2,536,907	(109,113)	-	2,427,794	1,962,392
Nonoperating Revenue (Expense)					
Interest and investment revenue	2,392,401	17,157	-	2,409,558	2,284,033
Miscellaneous revenue	1,706,147	-	-	1,706,147	1,853,250
(Loss) gain on sale of capital asset	(110,233)	-	-	(110,233)	13,621
Interest expense	(5,659,457)	-	-	(5,659,457)	(5,316,252)
Miscellaneous expense	(271,827)	-	-	(271,827)	(316,661)
Total nonoperating (expense) revenue	(1,942,969)	17,157	-	(1,925,812)	(1,482,009)
Income (Loss) - Before capital contributions and operating transfer	593,938	(91,956)	-	501,982	480,383
Capital Contributions	5,188,831	-	-	5,188,831	1,875,976
Operating Transfer	(136,372)	136,372	-	-	-
Change in Net Assets	5,646,397	44,416	-	5,690,813	2,356,359
Net Assets - Beginning of year	129,191,177	3,061,303	-	132,252,480	129,896,121
Net Assets - End of year	\$ 134,837,574	\$ 3,105,719	\$ -	\$ 137,943,293	\$ 132,252,480

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types

	Year Ended December 31			
	2008			2007
	Enterprise Fund	Internal Service Fund	Total	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 37,139,977	\$ 386,072	\$ 37,526,049	\$ 38,031,139
Cash payments to suppliers and others for goods and services	(19,889,968)	(194,366)	(20,084,334)	(22,478,007)
Cash payments to employees	(13,202,140)	-	(13,202,140)	(11,986,911)
Net cash provided by operating activities	4,047,869	191,706	4,239,575	3,566,221
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(1,580,351)	(269,840)	(1,850,191)	(24,722,620)
Proceeds from sale of capital assets	-	-	-	13,621
Capital contributions (to) from communities	(15,338,305)	-	(15,338,305)	4,430,229
Construction of community assets	(123,981)	-	(123,981)	-
County capital improvement fees	1,294,539	-	1,294,539	1,853,350
Collections of leases receivable from municipalities	6,690,553	-	6,690,553	6,900,845
Proceeds from issuance of bonded debt	10,171,353	-	10,171,353	36,278,588
Principal paid on bond maturities	(9,330,000)	-	(9,330,000)	(14,305,000)
Interest paid on bonds and other long-term liabilities	(5,931,284)	-	(5,931,284)	(5,632,913)
Premium on bonded debt	176,638	-	176,638	47,855
Proceeds on grants	560,103	-	560,103	1,315,873
Net cash (used in) provided by capital and related financing activities	(13,410,735)	(269,840)	(13,680,575)	6,179,828
Cash Flows from Investing Activities				
Investment income	469,970	17,157	487,127	313,088
Operating transfer	(136,372)	136,372	-	-
Net cash provided by investing activities	333,598	153,529	487,127	313,088
Net (Decrease) Increase in Cash and Cash Equivalents	(9,029,268)	75,395	(8,953,873)	10,059,137
Cash and Cash Equivalents - Beginning of year	12,673,570	614,071	13,287,641	3,228,504
Cash and Cash Equivalents - End of year	<u>\$ 3,644,302</u>	<u>\$ 689,466</u>	<u>\$ 4,333,768</u>	<u>\$ 13,287,641</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 2,536,907	\$ (109,113)	\$ 2,427,794	\$ 1,962,392
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	4,090,441	478,912	4,569,353	3,665,065
Changes in assets and liabilities:				
Accounts receivable	(3,957,861)	13,272	(3,944,589)	(2,330,018)
Inventories	11,654	-	11,654	32,597
Prepaid assets	(343,719)	-	(343,719)	224,884
Accounts payable, accrued expenses, and deferred revenue	1,716,636	(114,070)	1,602,566	29,644
Internal balances	77,297	(77,295)	2	(2)
Due from other governmental units - Net	(83,486)	-	(83,486)	(18,341)
Net cash provided by operating activities	<u>\$ 4,047,869</u>	<u>\$ 191,706</u>	<u>\$ 4,239,575</u>	<u>\$ 3,566,221</u>
Composition of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 5,228,836	\$ 689,466	\$ 5,918,302	\$ 8,814,358
Restricted cash and cash equivalents	7,594,237	-	7,594,237	10,261,945
Drafts payable	(9,178,771)	-	(9,178,771)	(5,788,662)
Total cash and cash equivalents	<u>\$ 3,644,302</u>	<u>\$ 689,466</u>	<u>\$ 4,333,768</u>	<u>\$ 13,287,641</u>

The Enterprise Fund had \$5,001,956 and \$186,875 contributed to the water and sewer systems by local communities and a grant, respectively. Additionally, \$7,434,894 of water and sewer projects paid for by local communities were completed and turned over to the local communities.

Genesee County Drain Commissioner Division of Water and Waste Services

**Notes to Financial Statements
December 31, 2008**

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)
- Genesee County Division of Water and Waste Services - Insurance Fund (Internal Service Fund)

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

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 basic financial statements.

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 Funds account for financing of goods and services provided by one department to other departments of the Division on a cost-plus basis as well as risk management services provided to other departments on a cost-reimbursement 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

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.

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 basic 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 consist 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Restricted Assets - Certain assets are restricted by the Division's bond ordinances for capital outlay. 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.

Postemployment Benefits - In addition to the pension benefits described in Note 5, the Division provides postemployment healthcare, 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 \$1,091,433 and \$1,090,915 for the years ended December 31, 2008 and 2007, respectively. The total number of eligible retirees amounted to 79 and 82 individuals during December 31, 2008 and 2007, respectively.

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, 2008 and 2007, the Division has recorded a liability of approximately \$490,000 and \$473,000, 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, 2008

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	25-100 years
Buildings	50 years
Machinery and equipment	3-15 years

New Accounting Standard - In the current year, the Division implemented the Governmental Accounting Standards Board's 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 pronouncement causes the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the proprietary funds of \$947,852 in excess of what would have been reported in prior years.

Note 2 - Deposits and Investments

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

Genesee County Drain Commissioner Division of Water and Waste Services

**Notes to Financial Statements
December 31, 2008**

Note 2 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Genesee County Drain Commissioner's deposits may not be returned to it. The Genesee County Drain Commissioner does not have a deposit policy for custodial credit risk. At year end, the Genesee County Drain Commissioner had \$511,241 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Genesee County Drain Commissioner believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Genesee County Drain Commissioner evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2008

Note 3 - Capital Assets

The following is a summary of proprietary fund type capital assets at December 31, 2008:

	Balance January 1, 2008	Increases	Decreases	Reclassifications	Balance December 31, 2008
Proprietary funds capital assets:					
Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 981,254	\$ -	\$ (110,233)	\$ -	\$ 871,021
Construction in progress	125,663,955	19,794,228	-	(83,864,714)	61,593,469
Subtotal	126,645,209	19,794,228	(110,233)	(83,864,714)	62,464,490
Capital assets being depreciated:					
Distribution and collections system	137,877,544	2,774,890	-	83,864,714	224,517,148
Vehicles	-	45,300	-	-	45,300
Buildings and equipment	4,141,877	48,429	-	-	4,190,306
Subtotal	142,019,421	2,868,619	-	83,864,714	228,752,754
Less accumulated depreciation for:					
Distribution and collections system	(29,391,610)	(3,540,420)	-	-	(32,932,030)
Vehicles	-	(5,663)	-	-	(5,663)
Buildings and equipment	(1,681,456)	(544,357)	-	-	(2,225,813)
Subtotal	(31,073,066)	(4,090,440)	-	-	(35,163,506)
Net capital assets being depreciated	110,946,355	(1,221,821)	-	-	193,589,248
Total capital assets - Net of depreciation	237,591,564	18,572,407	(110,233)	-	256,053,738
Internal Service Funds:					
Capital assets being depreciated - Buildings and equipment	6,811,441	269,840	-	-	7,081,281
Less accumulated depreciation - Buildings and equipment	(4,221,246)	(478,912)	-	-	(4,700,158)
Total capital assets - Net of depreciation	2,590,195	(209,072)	-	-	2,381,123
Total proprietary funds capital assets	\$ 240,181,759	\$ 18,363,335	\$ (110,233)	\$ -	\$ 258,434,861

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2008

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, 2008, the Division's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Interceptor and treatment facilities	\$ 35,189,670	\$ 13,026,602
Sewage disposal system, District No. 3	18,261,131	1,093,262
Water supply system	2,476,929	301,127
Total	<u>\$ 55,927,730</u>	<u>\$ 14,420,991</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 and require certain financial covenants to be met.

The following is a summary of bond transactions for the Division for the year ended December 31, 2008:

	Number of Issues	Interest Rate	Maturing Through	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Genesee County Drain Commissioner								
bonds payable:								
Interceptor and								
treatment facilities	10	1.625%-6.00%	2028	\$ 73,704,033	\$ 9,366,608	\$ (3,685,000)	\$ 79,385,641	\$ 4,465,000
District No. 3	1	4.00%-4.500%	2027	6,000,000	-	-	6,000,000	195,000
Water supply system	4	2.50%-5.00%	2033	44,870,000	-	(1,105,000)	43,765,000	1,135,000
Subtotal				124,574,033	9,366,608	(4,790,000)	129,150,641	5,795,000
Community-related bonds payable:								
Interceptor and								
treatment facilities	12	3.75%-7.00%	2026	8,640,000	-	(1,685,000)	6,955,000	520,000
District No. 3	9	2.50%-7.375%	2024	34,420,000	-	(2,455,000)	31,965,000	2,115,000
District No. 7	1	3.70%-4.50%	2008	100,000	-	(100,000)	-	-
Water supply system	3	3.75%-8.00%	2008	300,000	-	(300,000)	-	-
Subtotal				43,460,000	-	(4,540,000)	38,920,000	2,635,000
Total				\$ 168,034,033	\$ 9,366,608	\$ (9,330,000)	\$ 168,070,641	\$ 8,430,000

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

**Notes to Financial Statements
December 31, 2008**

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
2009	\$ 8,430,000	\$ 5,702,215	\$ 14,132,215
2010	8,595,000	5,435,014	14,030,014
2011	8,830,000	5,148,505	13,978,505
2012	9,215,000	4,846,169	14,061,169
2013	9,360,000	4,531,444	13,891,444
2014-2018	47,050,000	17,615,060	64,665,060
2019-2023	37,235,000	10,939,825	48,174,825
2024-2028	29,880,641	5,127,722	35,008,363
2029-2033	9,475,000	1,262,394	10,737,394
Total	<u>\$ 168,070,641</u>	<u>\$ 60,608,348</u>	<u>\$ 228,678,989</u>

Future Revenues Pledged for Debt Payment

Revenue Bonds - The Division has pledged substantially all revenue of the water and sewer fund, net of operating expenses, to repay the above Genesee County Drain Commissioner water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water and waste systems described above. The bonds are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$177,802,106. During the current year, net revenues of the system were \$10,262,581 compared to the annual debt requirements of \$9,660,666.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2008

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.

Annual Pension Cost - During 2008 and 2007, the Division's annual pension cost of \$1,717,656 and \$1,689,682, respectively, was equal to the Division's required and actual contributions. The required contributions were determined as part of the December 31, 2006 and 2005 actuarial valuations, using the entry age actuarial cost method.

Actuarial Methods and Assumptions - In the December 31, 2007 actuarial valuation, the individual entry age actuarial cost method was used. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.00 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, 2007 of 20 years.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2008

Note 5 - Pension Plan (Continued)

Schedule of Employer Contributions

Fiscal Year Ended December 31	Valuation Date December 31	Contribution Rate as Percentage of Valuation Payroll	Annual Pension Cost (APC)	Actual Reported Contribution	Percentage of APC Contributed
2006	2004	17.11	\$ 1,582,066	\$ 1,582,066	100%
2007	2005	17.58	1,689,682	1,689,682	100%
2008	2006	15.94	1,717,656	1,717,656	100%

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)
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
2005	34,908,400	39,047,872	4,139,472	89.4	8,138,717	50.9
2006	37,578,528	42,770,145	5,191,647	87.9	8,245,848	63.0
2007	38,979,791	44,748,462	5,768,671	87.1	7,823,724	73.7

Note 6 - Other Postemployment Benefits

Plan Description - The Division provides retiree healthcare, dental, life, and vision benefits to eligible employees and their spouses through the Municipal Employees' Retirement System. This is an agent multiple employer defined benefit plan administered by the Division. The benefits are provided under collective bargaining agreements.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2008

Note 6 - Other Postemployment Benefits (Continued)

Funding Policy - The collective bargaining agreements do not require employee contributions. The Division has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). However, as shown below, the Division has made contributions to advance-fund these benefits, as determined by the Division.

Funding Progress - For the year ended December 31, 2008, the Division has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2005. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,044,285
Interest on the prior year's net OPEB obligation	-
Less adjustment to the annual required contribution	-
Annual OPEB cost	2,044,285
Amounts contributed:	
Payments of current premiums	(1,091,433)
Advance funding	(5,000)
Increase in net OPEB obligation	947,852
OPEB obligation - Beginning of year	-
OPEB obligation - End of year	\$ 947,852

The net OPEB obligation is recorded on the financial statements as part of the accounts payable and accrued expenses line item.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2008

Note 6 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year was as follows:

Annual OPEB costs	\$ 2,044,285
Percentage contributed	53.63%
Net OPEB obligation	\$ 947,852

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2005:

Actuarial value of assets	\$ -
Actuarial accrued liability	22,642,182
Unfunded AAL	22,642,182
Funded ratio	-
Annual covered payroll	8,138,717
Ratio of UAAL to covered payroll	278.20%

The schedule of employer contributions is as follows:

Fiscal Year Ended	Valuation Date	Contribution Rate as Percentage of Valuation Payroll	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31	December 31			
2008	2005	23.76%	\$ 2,044,285	53.63%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2008

Note 6 - Other Postemployment Benefits (Continued)

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

In the December 31, 2005 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 5.0 percent. The UAAL is being amortized as a level percentage of projected payroll over 30 years.

Note 7 - Risk Management

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

The Division estimates the liability for medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the current year is as follows:

Unpaid claims - Beginning of year	\$ -
Incurred claims (including claims incurred but not reported)	1,100,323
Claim payments	<u>(973,320)</u>
Unpaid claims - End of year	<u>\$ 127,003</u>

Note 8 - Subsequent Event

The Division issued Series 2009A \$15,000,000 revenue bonds in January 2009. The proceeds from these bonds will be used to fund interceptor and treatment facility construction costs.

Supplemental Information

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Net Assets (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2008				2007	
	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	\$ 2,931,166	\$ -	\$ -	\$ 2,297,670	\$ 5,228,836	\$ 8,200,287
Accounts receivable	6,043,956	628,759	416,376	3,752,175	10,841,266	7,216,179
Prepaid expenses	269,874	19,001	4,216	50,628	343,719	-
Internal balances	-	-	-	-	-	3,710,654
Due from other governmental units	-	-	-	-	-	71,569
Leases receivable	520,000	2,115,000	-	-	2,635,000	4,540,000
Inventory	-	-	-	-	-	11,654
Total current assets	9,764,996	2,762,760	420,592	6,100,473	19,048,821	23,750,343
Noncurrent assets:						
Restricted cash and cash equivalents	1,893,331	3,665,937	200	2,034,769	7,594,237	10,261,945
Restricted accounts receivable	1,192,232	284,101	-	430,745	1,907,078	-
Restricted - Due from other governmental units	558,704	258,531	-	477,577	1,294,812	3,619,306
Leases receivable	6,435,000	29,850,000	-	-	36,285,000	38,920,000
Bond discount	65,333	-	-	-	65,333	-
Local unit construction in progress	4,629,450	18,891,482	-	1,479,179	25,000,111	36,479,176
Capital assets:						
Land and other assets not being depreciated	58,614,904	3,271,907	-	577,679	62,464,490	126,645,209
Buildings and equipment - Net of depreciation	124,844,768	3,117,270	7,233	65,619,977	193,589,248	110,946,355
Total noncurrent assets	198,233,722	59,339,228	7,433	70,619,926	328,200,309	326,871,991
Total assets	207,998,718	62,101,988	428,025	76,720,399	347,249,130	350,622,334
Liabilities						
Current liabilities:						
Drafts payable	8,714,158	178,220	286,393	-	9,178,771	5,788,662
Accounts payable and accrued expenses	1,526,709	265,403	68,664	1,615,258	3,476,034	2,373,805
Due to other governmental units	303,300	-	-	-	303,300	557,888
Internal balances	22,203	4,379	1,099	11,673	39,354	3,672,713
Current portion of bonds payable	4,985,000	2,310,000	-	1,135,000	8,430,000	9,200,000
Total current liabilities	15,551,370	2,758,002	356,156	2,761,931	21,427,459	21,593,068
Noncurrent liabilities:						
Liabilities related to restricted assets	4,372,045	715,966	-	581,874	5,669,885	2,789,392
Due to other governmental units	2,930	326,840	-	375	330,145	477,703
Deferred revenue	-	-	-	-	-	629,658
Unearned lease	4,629,450	18,931,838	-	1,492,312	25,053,600	37,107,303
Bond premium	56,297	30,344	-	203,185	289,826	-
Bonds payable - Net of current portion	81,355,641	35,655,000	-	42,630,000	159,640,641	158,834,033
Total noncurrent liabilities	90,416,363	55,659,988	-	44,907,746	190,984,097	199,838,089
Total liabilities	105,967,733	58,417,990	356,156	47,669,677	212,411,556	221,431,157
Net Assets						
Invested in capital assets - Net of related debt	104,083,067	3,359,437	7,233	22,229,471	129,679,208	116,677,747
Restricted for capital outlay	796,265	123,188	-	2,347,409	3,266,862	10,315,242
Restricted for debt service	-	-	-	-	-	72,895
Restricted for bond ordinance	600,000	-	-	-	600,000	600,000
Unrestricted	(3,448,347)	201,373	64,636	4,473,842	1,291,504	1,525,293
Total net assets	\$ 102,030,985	\$ 3,683,998	\$ 71,869	\$ 29,050,722	\$ 134,837,574	\$ 129,191,177

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					
	2008				2007	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
	District No. 3	District No. 7				
Operating Revenue						
Sewage disposal service	\$ 18,129,302	\$ 3,347,676	\$ 866,739	\$ -	\$ 22,343,717	\$ 20,928,508
Billing services	62,081	3	3,620	56,879	122,583	162,808
Sewer and pumping station - Operation and maintenance	1,062,154	-	-	-	1,062,154	1,232,537
Inspection fees	1,200	-	-	-	1,200	2,500
Water sales	-	-	-	17,377,540	17,377,540	16,336,861
Water meter sales	-	-	-	44,508	44,508	88,207
Other operating revenue	467,874	3,218	1,060	309,831	781,983	1,154,483
Total operating revenue	19,722,611	3,350,897	871,419	17,788,758	41,733,685	39,905,904
Operating Expenses						
Personnel services	7,731,397	1,523,424	362,477	3,584,842	13,202,140	12,856,893
Contractual services	661,733	68,636	26,793	711,969	1,469,131	1,783,105
Sludge disposal service	1,084,309	140,988	-	-	1,225,297	1,541,002
Cost of water	-	-	-	9,244,126	9,244,126	10,759,793
Repairs and maintenance	2,098,517	318,569	307,795	802,769	3,527,650	2,700,085
Utilities	2,565,881	611,602	159,890	400,396	3,737,769	3,329,689
Other supplies and expenses	781,017	95,398	33,472	1,386,390	2,296,277	1,076,221
Insurance claims and expenses	275,737	49,506	11,405	67,299	403,947	593,362
Depreciation	3,064,020	42,764	1,766	981,891	4,090,441	3,096,331
Total operating expenses	18,262,611	2,850,887	903,598	17,179,682	39,196,778	37,736,481
Operating Income (Loss)	1,460,000	500,010	(32,179)	609,076	2,536,907	2,169,423
Nonoperating Revenue (Expense)						
Interest and investment revenue	474,489	1,719,099	5,259	193,554	2,392,401	2,274,752
Miscellaneous revenue	869,510	14,633	500	821,504	1,706,147	1,853,250
Loss on sale of capital asset	(110,233)	-	-	-	(110,233)	-
Interest expense	(1,647,102)	(1,664,440)	(5,000)	(2,342,915)	(5,659,457)	(5,316,252)
Miscellaneous expense	(68,733)	-	-	(203,094)	(271,827)	(316,661)
Total nonoperating (expense) revenue	(482,069)	69,292	759	(1,530,951)	(1,942,969)	(1,504,911)
Income (Loss) - Before capital contributions and operating transfer	977,931	569,302	(31,420)	(921,875)	593,938	664,512
Capital Contributions	293,733	3,095,093	-	1,800,005	5,188,831	1,875,976
Operating Transfer	(1,637,475)	3,401,359	(77,840)	(1,822,416)	(136,372)	(70,439)
Change in Net Assets	(365,811)	7,065,754	(109,260)	(944,286)	5,646,397	2,470,049
Net Assets (Deficit) - Beginning of year	102,396,796	(3,381,756)	181,129	29,995,008	129,191,177	126,721,128
Net Assets - End of year	\$ 102,030,985	\$ 3,683,998	\$ 71,869	\$ 29,050,722	\$ 134,837,574	\$ 129,191,177

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2008				2007	
	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	\$ 17,282,306	\$ 2,966,785	\$ 495,183	\$ 16,395,703	\$ 37,139,977	\$ 37,409,776
Cash payments to suppliers and others for goods and services	(6,741,778)	(843,742)	(520,684)	(11,783,764)	(19,889,968)	(22,478,007)
Cash payments to employees	(7,731,397)	(1,523,424)	(362,477)	(3,584,842)	(13,202,140)	(11,986,911)
Net cash provided by (used in) operating activities	2,809,131	599,619	(387,978)	1,027,097	4,047,869	2,944,858
Cash Flows from Capital and Related Financing Activities						
(Sales) purchases of capital assets	(705,164)	(1,393,658)	-	518,471	(1,580,351)	(24,486,180)
Capital contributions (to) from communities	(14,903,452)	(434,853)	-	-	(15,338,305)	4,430,229
Construction of community assets	35,550	-	-	(159,531)	(123,981)	-
County capital improvement fees	658,402	-	-	636,137	1,294,539	1,853,350
Collections of leases receivable from municipalities	2,151,857	4,114,878	105,000	318,818	6,690,553	6,900,845
Proceeds from issuance of bonded debt	10,171,353	-	-	-	10,171,353	36,278,588
Principal paid on bond maturities	(5,370,000)	(2,455,000)	(100,000)	(1,405,000)	(9,330,000)	(14,305,000)
Interest paid on bonds	(1,715,835)	(1,664,440)	(5,000)	(2,546,009)	(5,931,284)	(5,632,913)
Premium on bonded debt	(12,488)	(3,194)	-	192,320	176,638	47,855
Proceeds from grants	560,103	-	-	-	560,103	1,315,873
Net cash (used in) provided by capital and related financing activities	(9,129,674)	(1,836,267)	-	(2,444,794)	(13,410,735)	6,402,647
Cash Flows from Investing Activities						
Investment income	112,167	73,854	759	283,190	469,970	303,807
Operating transfer	2,017,971	(254,087)	(77,840)	(1,822,416)	(136,372)	(70,439)
Net cash provided by (used in) investing activities	2,130,138	(180,233)	(77,081)	(1,539,226)	333,598	233,368
Net (Decrease) Increase in Cash and Cash Equivalents	(4,190,405)	(1,416,881)	(465,059)	(2,956,923)	(9,029,268)	9,580,873
Cash and Cash Equivalents - Beginning of year	300,744	4,904,598	178,866	7,289,362	12,673,570	3,092,697
Cash and Cash Equivalents - End of year	\$ (3,889,661)	\$ 3,487,717	\$ (286,193)	\$ 4,332,439	\$ 3,644,302	\$ 12,673,570
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income (loss)	\$ 1,460,000	\$ 500,010	\$ (32,179)	\$ 609,076	\$ 2,536,907	\$ 2,169,423
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	3,064,020	42,764	1,766	981,891	4,090,441	3,096,331
Changes in assets and liabilities:						
Accounts receivable	(2,055,717)	(392,679)	(376,777)	(1,132,688)	(3,957,861)	(2,316,397)
Inventories	-	-	-	11,654	11,654	32,597
Prepaid assets	(269,874)	(19,001)	(4,216)	(50,628)	(343,719)	224,884
Accounts payable, accrued expenses, and deferred revenue	723,490	459,958	22,887	510,301	1,716,636	(63,908)
Internal balances	42,642	8,567	541	25,547	77,297	(179,731)
Due (from) to other governmental units - Net	(155,430)	-	-	71,944	(83,486)	(18,341)
Net cash provided by (used in) operating activities	\$ 2,809,131	\$ 599,619	\$ (387,978)	\$ 1,027,097	\$ 4,047,869	\$ 2,944,858
Composition of Cash and Cash Equivalents						
Cash and cash equivalents	\$ 2,931,166	\$ -	\$ -	\$ 2,297,670	\$ 5,228,836	\$ 8,200,287
Restricted cash and cash equivalents	1,893,331	3,665,937	200	2,034,769	7,594,237	10,261,945
Drafts payable	(8,714,158)	(178,220)	(286,393)	-	(9,178,771)	(5,788,662)
Total cash and cash equivalents	\$ (3,889,661)	\$ 3,487,717	\$ (286,193)	\$ 4,332,439	\$ 3,644,302	\$ 12,673,570

Interceptor and treatment facilities had \$106,858 and \$186,875 contributed to the sewer system by a local community and a grant, respectively. District No. 3 had \$3,095,093 contributed to the sewer system by a local community. Additionally, a \$7,422,516 sewer project paid for by a local community was completed and turned over to the local community. Water supply systems had \$1,800,005 contributed to the water system by a local community. Additionally, a \$12,378 water system asset paid for by a local community was completed and turned over to the local community.

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Assets - Internal Service Funds

	Year Ended December 31			
	2008			2007
	Equipment Fund	Insurance Fund	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 689,466	\$ -	\$ 689,466	\$ 614,071
Accounts receivable	-	-	-	13,621
Interest receivable	349	-	349	-
Internal balances	39,354	-	39,354	-
Prepaid expenses and other assets	-	127,003	127,003	-
Total current assets	729,169	127,003	856,172	627,692
Noncurrent assets - Capital assets -				
Buildings and equipment - Net of depreciation	2,381,123	-	2,381,123	2,590,195
Total assets	3,110,292	127,003	3,237,295	3,217,887
Liabilities - Current liabilities				
Accounts payable and accrued expenses	4,573	127,003	131,576	118,643
Internal balances	-	-	-	37,941
Total current liabilities	4,573	127,003	131,576	156,584
Net Assets				
Invested in capital assets - Net of related debt	2,381,123	-	2,381,123	2,590,195
Restricted for debt service	-	-	-	450,000
Unrestricted	724,596	-	724,596	21,108
Total net assets	<u>\$ 3,105,719</u>	<u>\$ -</u>	<u>\$ 3,105,719</u>	<u>\$ 3,061,303</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Assets - Internal Service Funds

	Year Ended December 31			
	2008			2007
	Equipment Fund	Insurance Fund	Total	Total
Operating Revenue				
Billing to Enterprise Fund	\$ 430,022	\$ 1,100,323	\$ 1,530,345	\$ 397,933
Other operating revenue	20,073	-	20,073	3,965
Total operating revenue	450,095	1,100,323	1,550,418	401,898
Operating Expenses				
Contractual services	-	-	-	2,210
Repairs and maintenance	38,186	-	38,186	797
Insurance claims and expenses	42,110	1,100,323	1,142,433	37,188
Depreciation	478,912	-	478,912	568,734
Total operating expenses	559,208	1,100,323	1,659,531	608,929
Operating Loss	(109,113)	-	(109,113)	(207,031)
Nonoperating Revenue				
Interest and investment revenue	17,157	-	17,157	9,281
Gain on sale of capital asset	-	-	-	13,621
Total nonoperating revenue	17,157	-	17,157	22,902
Loss - Before operating transfer	(91,956)	-	(91,956)	(184,129)
Operating Transfer	136,372	-	136,372	70,439
Change in Net Assets	44,416	-	44,416	(113,690)
Net Assets - Beginning of year	3,061,303	-	3,061,303	3,174,993
Net Assets - End of year	<u>\$ 3,105,719</u>	<u>\$ -</u>	<u>\$ 3,105,719</u>	<u>\$ 3,061,303</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows - Internal Service Funds

	Year Ended December 31			
	2008			2007
	Equipment Fund	Insurance Fund	Total	Total
Cash Flows from Operating Activities				
Cash received from customers	\$ 386,072	\$ 1,100,323	\$ 1,486,395	\$ 621,363
Cash payments to suppliers and others for goods and services	(194,366)	(1,100,323)	(1,294,689)	-
Net cash provided by operating activities	191,706	-	191,706	621,363
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(269,840)	-	(269,840)	(236,440)
Proceeds from sale of capital assets	-	-	-	13,621
Net cash used in capital and related financing activities	(269,840)	-	(269,840)	(222,819)
Cash Flows from Investing Activities				
Investment income	17,157	-	17,157	9,281
Operating transfer	136,372	-	136,372	70,439
Net cash provided by investing activities	153,529	-	153,529	79,720
Net Increase in Cash and Cash Equivalents	75,395	-	75,395	478,264
Cash and Cash Equivalents - Beginning of year	614,071	-	614,071	135,807
Cash and Cash Equivalents - End of year	<u>\$ 689,466</u>	<u>\$ -</u>	<u>\$ 689,466</u>	<u>\$ 614,071</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (109,113)	\$ -	\$ (109,113)	\$ (207,031)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	478,912	-	478,912	568,734
Changes in assets and liabilities:				
Accounts receivable	13,272	-	13,272	(13,621)
Prepaid assets	-	(127,003)	(127,003)	-
Accounts payable, accrued expenses, and deferred revenue	(114,070)	127,003	12,933	93,552
Internal balances	(77,295)	-	(77,295)	179,729
Net cash provided by operating activities	<u>\$ 191,706</u>	<u>\$ -</u>	<u>\$ 191,706</u>	<u>\$ 621,363</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	Issued During the	Retired During the	Principal Outstanding	2009		2010	
	January 1, 2008	Year	Year	December 31, 2008	Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
Genesee County Drain Commissioner Bonds Payable:								
Series 2000 \$6,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for ARTP Grit Removal project. Due serially in various amounts ranging from \$200,000 to \$600,000 through 2015 with interest rates from 4.00% to 6.00%	\$ 4,000,000	\$ -	\$ (400,000)	\$ 3,600,000	\$ 400,000	\$ 158,000	\$ 450,000	\$ 132,500
Series 2002A \$11,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for ARTP Enhancement project. Due serially in various amounts ranging from \$485,000 to \$1,020,000 through 2017 with interest rates from 3.5% to 4.70%	8,275,000	-	(640,000)	7,635,000	675,000	318,160	715,000	290,360
Series 2003 \$9,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Western Trunk Relief project. Due serially in various amounts ranging from \$350,000 to \$2,350,000 through 2018 with interest rates from 2.00% to 4.50%	5,085,000	-	(375,000)	4,710,000	390,000	190,550	410,000	178,460
Series 2005A \$22,180,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Northeast Extension Sewer project. Fully drawn May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with interest rate of 1.625%	21,230,000	-	(965,000)	20,265,000	980,000	329,306	995,000	313,381
Series 2005B \$15,505,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee for Division project. Fully drawn May 2007. Due in amounts ranging from \$660,000 to \$900,000 through 2026 with interest rate of 1.625%	14,845,000	-	(670,000)	14,175,000	685,000	224,778	695,000	213,566
Series 2006A \$2,815,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn October 2007. Due in amounts ranging from \$120,000 to \$165,000 through 2027 with interest rate of 1.625%	2,815,000	-	(120,000)	2,695,000	120,000	43,794	125,000	41,844
Series 2006B \$7,705,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with interest rate of 1.625%	4,730,862	2,974,138	(330,000)	7,375,000	335,000	119,844	340,000	114,400
Series 2006C \$4,335,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with interest rate of 1.625%	4,335,000	-	(185,000)	4,150,000	190,000	67,438	190,000	64,350
Series 2007 \$10,500,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. \$3,719,359 remaining to be drawn. Due in amounts ranging from \$285,000 to \$450,000 through 2028 with interest rate of 1.625%	388,171	6,392,470	-	6,780,641	450,000	106,763	285,000	100,791
Series 2007B \$8,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Due serially and term amounts ranging from \$240,000 to \$605,000 through 2028 with interest rates from 4.00% to 4.40%	8,000,000	-	-	8,000,000	240,000	331,178	255,000	321,578
Total Genesee County Drain Commission bonds payable	73,704,033	9,366,608	(3,685,000)	79,385,641	4,465,000	1,889,811	4,460,000	1,771,230

Summary of Bonds Payable Year Ended December 31, 2008

2011		2012		2013		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 500,000	\$ 104,500	\$ 550,000	\$ 79,000	\$ 550,000	\$ 57,000	\$ 1,150,000	\$ 47,000	\$ 3,600,000	\$ 578,000
755,000	260,583	800,000	228,305	845,000	193,338	3,845,000	365,245	7,635,000	1,655,991
425,000	164,520	440,000	149,008	460,000	132,288	2,585,000	354,301	4,710,000	1,169,127
1,010,000	297,213	1,025,000	280,800	1,045,000	264,144	15,210,000	1,785,228	20,265,000	3,270,072
705,000	202,191	720,000	190,613	730,000	178,831	10,640,000	1,162,933	14,175,000	2,172,912
125,000	39,813	130,000	37,781	130,000	35,669	2,065,000	261,055	2,695,000	459,956
345,000	108,875	350,000	103,269	355,000	97,581	5,650,000	712,075	7,375,000	1,256,044
195,000	61,263	200,000	58,094	200,000	54,844	3,175,000	400,807	4,150,000	706,796
290,000	96,119	295,000	91,366	300,000	86,531	5,160,641	657,516	6,780,641	1,139,086
265,000	311,378	280,000	300,778	295,000	289,578	6,665,000	2,513,547	8,000,000	4,068,037
4,615,000	1,646,455	4,790,000	1,519,014	4,910,000	1,389,804	56,145,641	8,259,707	79,385,641	16,476,021

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding	Issued During the	Retired During the	Principal Outstanding	2009		2010	
	January 1, 2008	Year	Year	December 31, 2008	Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities (Continued)								
<u>Community-related Bonds Payable:</u>								
Series 1968 \$2,300,000 County of Genesee Limited Tax General Obligation Bonds for Davison Township Sub-Trunk System. Due serially in amounts ranging from \$75,000 to \$100,000 through 2008 with interest rates from 4.00% to 5.50%	\$ 100,000	\$ -	(100,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Series 1968 \$2,500,000 County of Genesee Limited Tax General Obligation Bonds for Community Southeast Extension to System No 2 project. Due serially in amounts ranging from \$25,000 to \$100,000 through 2008 with interest rates from 4.00% to 5.50%	100,000	-	(100,000)	-	-	-	-	-
Series 1968 \$970,000 County of Genesee Limited Tax General Obligation Bonds for Davison Township Lateral System. Due serially in amounts ranging from \$35,000 to \$40,000 through 2008 with interest rates from 4.00% to 4.90%	40,000	-	(40,000)	-	-	-	-	-
Series 1969 \$3,400,000 County of Genesee Limited Tax General Obligation Bonds for Burton Township Arm. Due serially in amounts ranging from \$25,000 to \$140,000 through 2008 with interest rates from 5.20% to 6.00%	140,000	-	(140,000)	-	-	-	-	-
Series 1969 \$2,340,000 County of Genesee Limited Tax General Obligation Bonds for Burton Township Lateral System. Due serially in amounts ranging from \$20,000 to \$100,000 through 2008 with interest rates from 5.25% to 6.00%	100,000	-	(100,000)	-	-	-	-	-
Series 1969 \$4,350,000 County of Genesee Limited Tax General Obligation Bonds for Vienna Township Arm. Due serially in amounts ranging from \$175,000 to \$200,000 through 2008 with interest rates from 5.70% to 6.00%	200,000	-	(200,000)	-	-	-	-	-
Series 1996 \$1,475,000 County of Genesee Limited Tax General Obligation Bonds for Mt. Morris Township - Francis/Webster Road Section. Due serially in amounts ranging from \$75,000 to \$150,000 through 2012 with interest rates from 5.00% to 7.00%	600,000	-	(100,000)	500,000	100,000	22,500	125,000	16,875
Refunding Series 1998 \$3,335,000 County of Genesee Limited Tax General Obligation Bonds. Refunded Series 1968, \$5,000,000 Bonds for Flint Township Laterals project. Due serially in amounts ranging from \$315,000 to \$330,000 through 2010 with interest rates from 3.75% to 4.75%	475,000	-	(295,000)	180,000	90,000	6,233	90,000	2,093
Refunding Series 1998 \$3,175,000 County of Genesee Limited Tax General Obligation Bonds. Refunded Series 1969, \$6,000,000 Bonds for Genesee Township System Series 3C project. Due serially in amounts ranging from 295,000 to 370,000 through 2008 with interest rates from 3.90% to 4.55%	295,000	-	(295,000)	-	-	-	-	-
Series 1999 \$3,800,000 County of Genesee Limited Tax General Obligation Bonds for Mt. Morris Township Sewer Program. Due serially in amounts ranging from \$100,000 to \$300,000 through 2019 with interest rates from 4.95% to 5.70%	175,000	-	(175,000)	-	-	-	-	-
Refunding Series 2005 \$2,900,000 County of Genesee Limited Tax General Obligation Bonds. Refunded Series 1999, \$3,800,000 Bonds for Mt. Morris Township Sanitary Sewer System project. Due serially in amounts ranging from \$15,000 to \$315,000 through 2019 with interest rates from 4.00% to 4.25%	2,860,000	-	(25,000)	2,835,000	210,000	112,520	220,000	103,920
Series 2006 \$3,665,000 County of Genesee Limited Tax General Obligation Bonds for Community Western Trunk Extension Sewer Phase II project. Due serially in amounts ranging from \$110,000 to \$285,000 through 2026 with interest rates from 4.00% to 4.35%	3,555,000	-	(115,000)	3,440,000	120,000	139,635	125,000	134,735
Total Community-related bonds payable	8,640,000	-	(1,685,000)	6,955,000	520,000	280,888	560,000	257,623
Total Interceptor and Treatment Facilities bonds payable	\$ 82,344,033	\$ 9,366,608	\$ (5,370,000)	\$ 86,340,641	\$ 4,985,000	\$ 2,170,699	\$ 5,020,000	\$ 2,028,853

Summary of Bonds Payable (Continued) Year Ended December 31, 2008

2011		2012		2013		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
125,000	10,625	150,000	3,750	-	-	-	-	500,000	53,750
-	-	-	-	-	-	-	-	180,000	8,326
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
230,000	94,805	235,000	85,273	245,000	75,433	1,695,000	221,442	2,835,000	693,393
135,000	129,535	140,000	124,035	145,000	118,335	2,775,000	845,016	3,440,000	1,491,291
490,000	234,965	525,000	213,058	390,000	193,768	4,470,000	1,066,458	6,955,000	2,246,760
\$ 5,105,000	\$ 1,881,420	\$ 5,315,000	\$ 1,732,072	\$ 5,300,000	\$ 1,583,572	\$ 60,615,641	\$ 9,326,165	\$ 86,340,641	\$ 18,722,781

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2008	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2008	2009		2010		
					Principal	Interest	Principal	Interest	
District No. 3									
<u>Genesee County Drain Commissioner Bonds Payable:</u>									
Series 2007 \$6,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Treatment Plant Improvement project. Due serially in various amounts ranging from \$195,000 to \$470,000 through 2027 with interest rates from 4% to 4.5%	\$ 6,000,000	\$ -	\$ -	\$ 6,000,000	\$ 195,000	\$ 249,038	\$ 205,000	\$ 241,038	
Total Genesee County Drain Commission bonds payable	6,000,000	-	-	6,000,000	195,000	249,038	205,000	241,038	
<u>Community-related Bonds Payable:</u>									
Series 1968 \$1,925,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Torrey and Ponemah Road Arms project. Due serially in amounts ranging from \$70,000 to \$80,000 through 2008 with interest rates from 5.70% to 6.00%	80,000	-	(80,000)	-	-	-	-	-	
Series 1996 \$1,240,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Rolston and Ripley Road Arms project. Due serially in amounts ranging from \$25,000 to \$100,000 through 2017 with interest rates from 5.00% to 7.375%	875,000	-	(75,000)	800,000	75,000	41,488	75,000	37,569	
Refunding Series 1996A \$12,940,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Refunded Series 2007, \$6,000,000 District No. 3 Treatment Plant Improvement bond. Due serially in various amounts ranging from \$75,000 to \$1,355,000 through 2016 with interest rates from 2.50% to 5.00%	11,830,000	-	(1,210,000)	10,620,000	1,260,000	443,400	1,315,000	398,338	
Series 1998 \$3,370,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Southwest Extensions project. Due serially in amounts ranging from \$280,000 to \$395,000 through 2008 with interest rates from 3.70% to 4.55%	330,000	-	(330,000)	-	-	-	-	-	
Series 1998 \$7,140,000 County of Genesee Limited Tax General Obligation Bonds for City of Fenton, Fenton Township, and City of Linden Treatment Plant project. Due serially in amounts ranging from \$80,000 to \$915,000 through 2019 with interest rates from 4.50% to 5.00%	190,000	-	(190,000)	-	-	-	-	-	
Series 2003 \$4,000,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Sewage Disposal System project. Due serially in amounts ranging from \$125,000 to \$250,000 through 2024 with interest rates from 2.50% to 4.50%	3,600,000	-	(150,000)	3,450,000	175,000	132,275	175,000	127,463	
Series 2004 \$8,000,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Sewage Disposal System project. Due serially in amounts ranging from \$250,000 to \$700,000 through 2024 with interest rates from 4.00% to 5.00%	7,500,000	-	(300,000)	7,200,000	300,000	299,250	325,000	286,750	
Series 2004 \$4,600,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Sewage Disposal System project. Due serially in amounts ranging from \$100,000 to \$400,000 through 2024 with interest rates from 4.00% to 5.00%	4,400,000	-	(100,000)	4,300,000	100,000	179,000	100,000	175,000	
Refunding Series 2007 \$5,615,000 County of Genesee Limited Tax General Obligation Bonds. Partially refunded Series 1998, \$7,140,000 Bonds for City of Fenton, Fenton Township, and City of Linden Sewage Disposal System project. Due serially in amounts ranging from \$20,000 to \$915,000 through 2019 with interest rate of 4.00%	5,615,000	-	(20,000)	5,595,000	205,000	219,700	205,000	211,500	
Total Community-related bonds payable	34,420,000	-	(2,455,000)	31,965,000	2,115,000	1,315,113	2,195,000	1,236,620	
Total District No. 3 bonds payable	\$ 40,420,000	\$ -	\$ (2,455,000)	\$ 37,965,000	\$ 2,310,000	\$ 1,564,151	\$ 2,400,000	\$ 1,477,658	

Summary of Bonds Payable (Continued) Year Ended December 31, 2008

2011		2012		2013		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 215,000	\$ 232,638	\$ 225,000	\$ 223,838	\$ 240,000	\$ 214,538	\$ 4,920,000	\$ 1,673,247	\$ 6,000,000	\$ 2,834,337
215,000	232,638	225,000	223,838	240,000	214,538	4,920,000	1,673,247	6,000,000	2,834,337
-	-	-	-	-	-	-	-	-	-
75,000	33,594	75,000	29,544	100,000	24,750	400,000	44,000	800,000	210,945
1,340,000	346,850	1,350,000	289,688	1,355,000	228,819	4,000,000	297,319	10,620,000	2,004,414
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
175,000	122,213	200,000	116,525	200,000	109,775	2,525,000	664,588	3,450,000	1,272,839
325,000	273,750	350,000	260,250	350,000	244,500	5,550,000	1,450,125	7,200,000	2,814,625
150,000	170,000	150,000	164,000	150,000	157,250	3,650,000	964,750	4,300,000	1,810,000
235,000	202,700	290,000	192,200	355,000	179,300	4,305,000	591,900	5,595,000	1,597,300
2,300,000	1,149,107	2,415,000	1,052,207	2,510,000	944,394	20,430,000	4,012,682	31,965,000	9,710,123
\$ 2,515,000	\$ 1,381,745	\$ 2,640,000	\$ 1,276,045	\$ 2,750,000	\$ 1,158,932	\$ 25,350,000	\$ 5,685,929	\$ 37,965,000	\$ 12,544,460

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2008	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2008	2009		2010	
					Principal	Interest	Principal	Interest
District No. 7								
Community-related Bonds Payable:								
Series 1999 \$675,000 County of Genesee Limited Tax General Obligation Bonds for Sewage Disposal System Facility for Argentine and Deerfield Townships. Due serially in amounts ranging from \$50,000 to \$100,000 through 2008 with interest rates from 3.70% to 4.50%								
	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Community-related bonds payable	100,000	-	(100,000)	-	-	-	-	-
Total District No. 7 bonds payable	\$ 100,000	\$ -	\$ (100,000)	\$ -	\$ -	\$ -	\$ -	\$ -
Water Supply Systems								
Genesee County Drain Commissioner Bonds Payable:								
Series 2003 \$9,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Water Tower project. Due serially in various amounts ranging from \$455,000 to \$775,000 through 2018 with interest rates from 2.5% to 4.375%								
	\$ 7,075,000	\$ -	\$ (530,000)	\$ 6,545,000	\$ 550,000	\$ 251,036	\$ 570,000	\$ 233,524
Series 2003 \$18,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for North Water Loop III project. Due serially and term in various amounts ranging from \$175,000 to \$10,495,000 through 2033 with interest rates from 4.00% to 4.625%								
	17,240,000	-	(220,000)	17,020,000	230,000	823,763	245,000	814,563
Series 2004 \$14,960,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for North Water Loop III project. Due serially in various amounts ranging from \$200,000 to \$1,000,000 through 2030 with interest rates from 3.00% to 5.00%								
	14,555,000	-	(205,000)	14,350,000	205,000	641,088	210,000	634,938
Series 2007 \$6,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for North Water Loop III project. Due serially and term in various amounts ranging from \$150,000 to \$450,000 through 2033 with interest rates from 4.00% to 4.40%								
	6,000,000	-	(150,000)	5,850,000	150,000	251,478	150,000	245,478
Total Genesee County Drain Commission bonds payable	44,870,000	-	(1,105,000)	43,765,000	1,135,000	1,967,365	1,175,000	1,928,503
Community-related Bonds Payable:								
Series 1968 \$420,000 County of Genesee Limited Tax General Obligation Bonds for Davison Township Water Supply System No. 2 project. Due serially in amount of \$15,000 through 2008 with interest rates from 5.00% to 5.85%								
	15,000	-	(15,000)	-	-	-	-	-
Series 1978 \$790,000 County of Genesee Limited Tax General Obligation Bonds for Vienna Township Water Supply System No. 4 Wilson and Jennings Road project. Due serially in amount of \$40,000 through 2008 with interest rates from 6.00% to 8.00%								
	40,000	-	(40,000)	-	-	-	-	-
Refunding Series 1998 \$2,545,000 County of Genesee Limited Tax General Obligation Bonds. Partially refunded Series 1968, \$6,450,000 Bonds for Flint Township and City of Swartz Creek Water Supply System No. 1 project. Due serially in amounts ranging from \$245,000 to \$270,000 through 2008 with interest rates from 3.75% to 4.50%								
	245,000	-	(245,000)	-	-	-	-	-
Total Community-related bonds payable	300,000	-	(300,000)	-	-	-	-	-
Total Water Supply Systems bonds payable	\$ 45,170,000	\$ -	\$ (1,405,000)	\$ 43,765,000	\$ 1,135,000	\$ 1,967,365	\$ 1,175,000	\$ 1,928,503
Total Genesee County Drain Commission bonds payable	\$ 124,574,033	\$ 9,366,608	\$ (4,790,000)	\$ 129,150,641	\$ 5,795,000	\$ 4,106,214	\$ 5,840,000	\$ 3,940,771
Total Community-related bonds payable	43,460,000	-	(4,540,000)	38,920,000	2,635,000	1,596,001	2,755,000	1,494,243
Total - All bonds payable	\$ 168,034,033	\$ 9,366,608	\$ (9,330,000)	\$ 168,070,641	\$ 8,430,000	\$ 5,702,215	\$ 8,595,000	\$ 5,435,014

Summary of Bonds Payable (Continued) Year Ended December 31, 2008

2011		2012		2013		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 590,000	\$ 212,461	\$ 615,000	\$ 188,361	\$ 635,000	\$ 163,361	\$ 3,585,000	\$ 395,410	\$ 6,545,000	\$ 1,444,153
255,000	804,763	270,000	794,563	290,000	783,763	15,730,000	9,976,314	17,020,000	13,997,729
215,000	628,638	225,000	621,650	235,000	614,338	13,260,000	6,720,700	14,350,000	9,861,352
150,000	239,478	150,000	233,478	150,000	227,478	5,100,000	2,840,483	5,850,000	4,037,873
1,210,000	1,885,340	1,260,000	1,838,052	1,310,000	1,788,940	37,675,000	19,932,907	43,765,000	29,341,107
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
\$ 1,210,000	\$ 1,885,340	\$ 1,260,000	\$ 1,838,052	\$ 1,310,000	\$ 1,788,940	\$ 37,675,000	\$ 19,932,907	\$ 43,765,000	\$ 29,341,107
\$ 6,040,000	\$ 3,764,433	\$ 6,275,000	\$ 3,580,904	\$ 6,460,000	\$ 3,393,282	\$ 98,740,641	\$ 29,865,861	\$ 129,150,641	\$ 48,651,465
2,790,000	1,384,072	2,940,000	1,265,265	2,900,000	1,138,162	24,900,000	5,079,140	38,920,000	11,956,883
\$ 8,830,000	\$ 5,148,505	\$ 9,215,000	\$ 4,846,169	\$ 9,360,000	\$ 4,531,444	\$ 123,640,641	\$ 34,945,001	\$ 168,070,641	\$ 60,608,348

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

**Federal Awards
Supplemental Information
December 31, 2008**

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 financial statements of the Enterprise Fund, Internal Service Fund, and business-type activities of the Genesee County Drain Commissioner Division of Water and Waste Services (a component unit of Genesee County, Michigan) (the "Division") as of and for the year ended December 31, 2008, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated June 5, 2009. Those basic financial statements are the responsibility of the management of the Genesee County Drain Commissioner Division of Water and Waste Services. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Genesee County Drain Commissioner Division of Water and Waste Services taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit 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

June 5, 2009

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

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

We have audited the financial statements of the Enterprise Fund, Internal Service Fund, and business-type activities of the Genesee County Drain Commissioner Division of Water and Waste Services (a component unit of Genesee County, Michigan) (the "Division") as of and for the year ended December 31, 2008, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated June 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Genesee County Drain Commissioner Division of Water and Waste Services' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Genesee County Drain Commissioner Division of Water and Waste Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Genesee County Drain Commissioner Division of Water and Waste Services' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2008-01 to be a significant deficiency in internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Genesee County Drain Commissioner Division of Water and Waste Services' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We noted certain matters that we reported to the management of the Division in a separate letter dated June 5, 2009.

The Genesee County Drain Commissioner Division of Water and Waste Services' response to the significant deficiency and findings relating to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

June 5, 2009

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of the Genesee County Drain Commissioner Division of Water and Waste Services with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2008. The major federal program of the Genesee County Drain Commissioner Division of Water and Waste Services is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of management. Our responsibility is to express an opinion on the Genesee County Drain Commissioner Division of Water and Waste Services' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Genesee County Drain Commissioner Division of Water and Waste Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Genesee County Drain Commissioner Division of Water and Waste Services' compliance with those requirements.

In our opinion, the Genesee County Drain Commissioner Division of Water and Waste Services complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-02.

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

Internal Control Over Compliance

The management of the Genesee County Drain Commissioner Division of Water and Waste Services is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Genesee County Drain Commissioner Division of Water and Waste Services' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-02 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider the above mentioned significant deficiency to be a material weakness.

The Genesee County Drain Commissioner Division of Water and Waste Services' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the response and, accordingly, we express no opinion on it.

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

This report is intended solely for the information and use of management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

June 5, 2009

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

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2008**

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Environmental Protection Agency - Passed through the Michigan Department of Environmental Quality - Capitalization Grants for Clean Water State Revolving Funds:				
Project 5229-04	66.458	5229-04	\$ 7,705,000	\$ 472,591
Project 5229-05	66.458	5229-05	10,500,000	<u>1,021,630</u>
Total federal awards				<u>\$1,494,221</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Note to Schedule of Expenditures of Financial Awards Year Ended December 31, 2008

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Genesee County Drain Commissioner Division of Water and Waste Services and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Genesee County Drain Commissioner Division of Water and Waste Services

Schedule of Findings and Questioned Costs Year Ended December 31, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program:

- Material weaknesses identified? Yes No
- Significant deficiency identified that is not considered to be a material weakness? Yes None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund - Project 5229

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

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

**Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2008**

Section II - Financial Statement Audit Findings

Reference Number	Findings
2008-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - The accounts receivable and revenue balances per the general ledger should be reconciled to the accounts receivable and revenue per the billing system on a monthly basis.</p> <p>Condition - The reconciliation process for accounts receivable did not begin until June 2008 and the revenue reconciliation was not performed until December 2008.</p> <p>Context - Reconciliations were not performed on a monthly basis for the entire year by the accounting staff.</p> <p>Cause - The software used by the Division does not provide adequate reports to perform the reconciliation.</p> <p>Effect - The Division's revenue and accounts receivable balance may have been misstated during the year and improper billings may have been sent to customers.</p> <p>Recommendation - We suggest the Division perform monthly reconciliations between the general ledger and its subsidiary ledgers.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Division has purchased a new accounts receivable module called Sales Order Processing that will replace the prior billing software. This new accounts receivable module will be implemented in the third quarter of 2009. The new accounts receivable module is capable of properly recording customer credits in the general ledger, producing aged receivables listings, and revenue summary reports. Customer receivable and revenue balances in the general ledger will be reconciled monthly to reports generated by the new accounts receivable module. Until the new accounts receivable module is implemented, the Division will manually reconcile customer receivable and revenue balances in the general ledger to actual invoices on a monthly basis. In addition, the Division is currently in the process of creating monthly procedures, which include revenue reconciliation.</p>

Genesee County Drain Commissioner

Division of Water and Waste Services

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2008

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-02	<p>Program Name - 66.458 Clean Water State Revolving Fund - Project 5229</p> <p>Pass-through Entity - Michigan Department of Environmental Quality</p> <p>Finding Type - Significant deficiency/Material noncompliance</p> <p>Criteria - The Division is required to maintain backup documentation for all expenditures incurred associated with federal grants.</p> <p>Condition - The Division could not provide backup documentation related to payroll expenditures associated with federal grants.</p> <p>Questioned Costs - \$60,357</p> <p>Context - Payroll expenditures were charged to the grant related to hourly employees. The entire amount of payroll expenditures charged to the grant did not have adequate documentation to support the allowability of the cost.</p> <p>Cause and Effect - Payroll expenditures charged to the grant may have been overstated. Proper documentation was not maintained for the entire amount of payroll and the expenditures could not be corroborated by backup documentation.</p> <p>Recommendation - We recommend that the Division maintain backup documentation for all expenditures charged to federal grants. This backup documentation should agree to the expenditures charged against the federal grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Division's finance manager responsible for calculating the payroll to allocate to this grant has been on a sick leave of absence and the proper documentation cannot be located in her absence. While proper documentation may be able to be recreated or found at a later time, the Division currently cannot support the payroll expenditures related to this grant.</p>

Genesee County Drain Commissioner

Division of Water and Waste Services

Summary of Prior Year Audit Findings

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
2007	2007-5	Federal expenditures are required to be reported on the schedule of expenditures of federal awards and included in the selection of major programs when the activities that require compliance with laws, regulations, and the provisions of contracts or grant agreements take place under OMB Circular A-133. The Division did not record federal expenditures incurred during fiscal years ended December 31, 2004, 2005, and 2006 in the schedule of expenditures of federal awards or the related federal revenue until the fiscal year ended December 31, 2007.	97.039	None	The Division has taken the following actions to address the 2007 single audit finding: 1. A monthly checklist for grant accounting was developed in 2008 and will be followed in 2009. 2. Follow up with department heads will be done to ensure all grants had been identified. 3. A reminder memo will be issued in 2009 indicating that finance must receive an original copy of grant agreements. 4. All new grants will be reviewed immediately for reporting requirements. The only new grant in 2008 was the Clean Water State Revolving Fund Grant. The grant was reviewed for any new reporting requirements. 5. A procedure was developed to track grant expenses in the general ledger and has been implemented in 2009. 6. Drawdown requests will be prepared by the department responsible for administering the grant and the request will be reviewed by the department head or the director.

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

**Report to the Drain Commissioner
December 31, 2008**



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

We have recently completed our audit of the basic financial statements of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") for the year ended December 31, 2008. In addition to our audit report, we are providing the following report on internal control, results of the audit, summary of unrecorded possible adjustments, and other recommendations which impact the Division:

	<u>Page</u>
Report on Internal Control	1-3
Results of the Audit	4-6
Summary of Unrecorded Possible Adjustments	7
Other Recommendations	8-9

We are grateful for the opportunity to be of service to the Genesee County Drain Commissioner Division of Water and Waste Services. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

June 5, 2009



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

June 5, 2009

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

We have audited the financial statements of the Enterprise Fund and Internal Service Fund of Genesee County Drain Commissioner Division of Water and Waste Services (a component unit of Genesee County, Michigan) (the "Division") as of and for the year ended December 31, 2008, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated June 5, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described below as finding 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

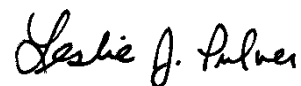
Compliance and Other Matters

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

This report is intended solely for the information and use of management, the federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver, CPA

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

Reference Number	Findings
2008-01	<p data-bbox="418 443 899 478">Finding Type - Significant deficiency</p> <p data-bbox="418 516 1443 625">Criteria - The accounts receivable and revenue balances per the general ledger should be reconciled to the accounts receivable and revenue per the billing system on a monthly basis.</p> <p data-bbox="418 663 1443 772">Condition - The reconciliation process for accounts receivable did not begin until June 2008 and the revenue reconciliation is not performed until December 2008.</p> <p data-bbox="418 810 1443 877">Context - Reconciliations were not performed on a monthly basis for the entire year by the accounting staff.</p> <p data-bbox="418 915 1443 982">Cause - The software used by the Division does not provide adequate reports to perform the reconciliation.</p> <p data-bbox="418 1020 1443 1129">Effect - The Division's revenue and accounts receivable balance may have been misstated during the year and improper billings may have been sent to customers.</p> <p data-bbox="418 1167 1443 1241">Recommendation - We suggest the Division perform monthly reconciliations between the general ledger and its subsidiary ledgers.</p>

Results of the Audit

June 5, 2009

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

Dear Mr. Wright:

We have audited the financial statements of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") for the year ended December 31, 2008 and have issued our report thereon dated June 5, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated February 4, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Genesee County Drain Commissioner Division of Water and Waste Services. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Our audit of the Division's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the Division's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We are required to communicate any conditions in the report on internal control over financial reporting and on compliance and other matter included in this package. No such conditions were required to be communicated.

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

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the Division, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters on April 6, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Genesee County Drain Commissioner Division of Water and Waste Services are described in Note I to the financial statements. As described in Note I, the Division changed accounting policies related to the recognition of other postemployment benefits by adopting Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008.

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

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

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

Management's estimate of the unbilled receivables is based on amounts billed subsequent to year end. We evaluated the key factors and assumptions used to develop the unbilled receivables in determining that they are reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

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

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated June 5, 2009.

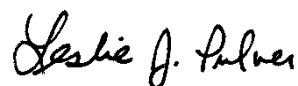
Management's Consultations with Other Independent Accountants

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

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

Very truly yours,

Plante & Moran, PLLC



Leslie J. Pulver

Attachment

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

Client: Genesee County Drain Commissioner Division of Water and Waste Services

Opinion Unit: Business-type Activities

Y/E: December 31, 2008

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income
KNOWN MISSTATEMENTS:									
	None								
ESTIMATE ADJUSTMENTS:									
B1	To adjust contract payable amount for work completed during 2008, based on a percentage allocation method			\$ 103,686				\$ 103,686	\$ (103,686)
B2	To adjust contract payable amount for work completed during 2008, based on a percentage allocation method			193,820				193,820	(193,820)
IMPLIED ADJUSTMENTS:									
	None	\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Combined effect - Before income taxes	-	-	297,506	-	-	-	297,506	(297,506)
	Effect of income taxes	-	-	-	-	-	-	-	-
	Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,506</u>	<u>\$ (297,506)</u>

Other Recommendations

During the course of our audit, and in addition to the above mentioned significant deficiency and recommendation, we present the following observations and recommendations in order to increase the accuracy and integrity of the Division's financial reporting.

- During 2008, meters were expensed rather than placed in inventory when purchased. When the meters were sold, inventory was decreased resulting in a credit balance in the inventory account. We recommend all inventory items be capitalized and placed in inventory at the time of purchase. We also recommend a monthly review of the trial balance to identify possible issues.
- The Division does not have a system in place to ensure that all rate changes are promptly changed in the billing system at the time they take effect. As a result, several customers were not billed at the adjusted rates. This was detected at a later time by the Division and corrected. We recommend that procedures be put in place to ensure that rate changes are made timely.
- A comparison between the inputs and outputs for payroll is made on an overall basis prior to checks being printed. We recommend that during the comparison process, a few individual employees should be compared to their timecards to verify that they are being properly compensated.