

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

---

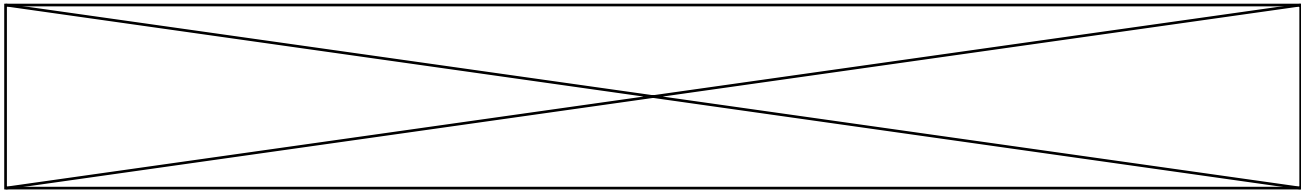
**Financial Report  
with Supplemental Information  
December 31, 2010**

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

---

## **Contents**

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-12
<b>Basic Financial Statements</b>	
Statement of Net Assets - Proprietary Fund Types	13
Statement of Revenue, Expenses, and Changes in Net Assets - Proprietary Fund Types	14
Statement of Cash Flows - Proprietary Fund Types	15
Notes to Financial Statements	16-30
<b>Supplemental Information</b>	31
Statement of Net Assets (Divisional Detail) - Enterprise Fund	32
Statement of Revenue, Expenses, and Changes in Net Assets (Divisional Detail) - Enterprise Fund	33
Statement of Cash Flows (Divisional Detail) - Enterprise Fund	34
Statement of Net Assets - Internal Service Funds	35
Statement of Revenue, Expenses, and Changes in Net Assets - Internal Service Funds	36
Statement of Cash Flows - Internal Service Funds	37
Summary of Bonds Payable	38-45



## Independent Auditor's Report

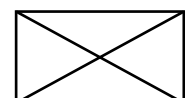
Mr. Jeff Wright  
Genesee County Drain Commissioner  
Division of Water and Waste Services  
Flint, Michigan

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, 2010, 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 2009 financial statements and, in our report dated May 20, 2010, we expressed unqualified opinions on the respective financial statements of the Enterprise Fund and Internal Service Funds.

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 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 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, 2010 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.



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 audit was 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 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.

In accordance with *Government Auditing Standards*, the report dated May 18, 2011 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 audit.

*Plante & Moran, PLLC*

May 18, 2011

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

---

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

Through the County Improvement Act, the County Board established the Genesee County Drain Commissioner as a Public Act 342 Agency. That County 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, Lapeer, 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 the 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 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.

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

The primary functions of the support services area are to efficiently and uniformly provide support to the six cost centers. These services are grouped into categories as follows: safety, human resources, finance, permits, soil erosion, construction, inspection, and information technology.

**The Operation and Maintenance Department** - The operation and maintenance (O&M) department has two primary functions: sanitary sewer interception and transportation and water distribution. It also performs contract O&M for the local communities. To ensure that these primary functions are met, O&M performs the following tasks:

- 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 water mains, coordinates the repair of sanitary sewers, sewer main taps, and cut and cap water and sewer services
- Provides after-hours emergency response

# **Genesee County Drain Commissioner**

## **Division of Water and Waste Services**

---

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

**Treatment Facilities** - The core function of all treatment facilities is to effectively and efficiently treat sewage in compliance with regulations established by their NPDES permit. The facilities maintain good working relationships with customers and elected officials of the districts to achieve the goals of accountability, transparency, 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
- Planning for plant improvements, equipment replacement, and upgrades
- Emergency response plan
- Storage lagoon operation and maintenance
- Discharge limitations and monitoring
- Pollutant minimization
- Industrial Pretreatment Program (IPP)

The sanitary sewer treatment operations 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 (District 3), the Bird Road Lagoons (District 7), and the Anthony Ragnone Treatment Plant (ARTP)(Districts 1,2,5, and 6).

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** - Each treatment plant is responsible for disposing wastewater treatment plant biosolids in a manner that is considered beneficial reuse, in particular, biosolids application on farmland. The ARTP accomplished this goal in 2010 by applying 5,961 dry tons of stabilized biosolids on approximately 2,300 acres of approved fields. District No. 3 applied 1,122 dry tons of stabilized biosolids on approximately 814 acres of approved fields. The ARTP refined its decanting process during 2010 and saved over \$100,000 from efficiency improvements.

# **Genesee County Drain Commissioner**

## **Division of Water and Waste Services**

---

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

- **Industrial Pretreatment Program** - The Division regulates and monitors industrial and nondomestic dischargers to the wastewater system. The Division reviews applications, issues discharge permits, verifies compliance, calculates fees and surcharge bills for the customers, as well as enforces regulations through discharge permits, which protect the wastewater treatment facilities and the environment. An arsenic program for drinking water systems was implemented to ensure compliance with MDEQ regulations. There are approximately 14 significant industrial facilities discharging to GCDC-WWS sewer systems. The ordinance allows for best management practices (BMP) in regulating silver and mercury from over 750 physician and dental offices and grease and oil from approximately 1,400 restaurants. Inter-jurisdictional agreements and the sewer use ordinance have been distributed to the municipalities and the local unit of government approval process is ongoing.

**Water Supply** - The water supply department is responsible for acquisition of water from the City of Detroit through the City of Flint. The Division distributes potable water to local communities which in turn supply residential, commercial, and industrial customers with distribution of water to the outlying communities of Genesee County. The Division contracts with local municipalities to operate and maintain water supply to outlying communities. It maintains a distribution system consisting of over 600 miles of water mains. The Division installs water connections at the request of customers, services and changes water meters, performs turn-ons/offers at the request of customers, and oversees the backflow prevention program. In order to provide an uninterruptible supply of safe drinking water, this department provides forward thought to:

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

The Division is coordinating an inter-jurisdictional initiative for a new water supply system from Lake Huron. Currently, the City of Flint (Flint), Genesee County, Sanilac County, and the Greater Lapeer County Utilities Authority (GLCUA) are supplied water from the City of Detroit's Department of Water and Sewerage (DWSD). Because of growing concerns regarding the reliability and cost of the DWSD supply, these utilities have considered other alternatives for water supply.

A new governmental authority, the Karegnondi Water Authority (KWA), was incorporated on October 1, 2010. Its purpose is to develop and operate a new water supply. After construction of the new pipeline, it will then be KWA's responsibility to provide a supply of raw water to all contracting municipalities. KWA will be comprised of five governmental entities that will be supplied water from the new water line. The first formal study was completed in 1992; the most recent was completed in 2009.

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

---

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

The five governmental entities - Genesee County, Lapeer County, City of Lapeer, Sanilac County, and the City of Flint - are involved with negotiation of the contracts with KWA which are expected to be signed by the end of 2011.

### **Objectives and Achievements**

The main objectives of the Division 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 expenditures for all cost centers. The budget is reviewed and approved by an Advisory Board. This helps with planning for new and improved systems. Each community customer has a seat on the Advisory Board and meets monthly to provide guidance to the Division.

The continuing rising cost of water from the City of Detroit to the City of Flint and there in turn to the Division 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 through 2007, 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 City of Flint 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 by 2008 justifying its charges to the Division based upon "true cost of service." There was no rate increase for the flat fee as this study was not performed. When completed, this study is expected to modify the flat rate charged by the City of Flint in 2011.

### **Rate Structure**

The Division established a new rate structure for water and sewer service in 2008 and 2009. Part of the rate structure requires automatic adjustments based upon the City of Detroit's rate increases to the City of Flint. The self-balancing adjustments limit risk to loss and overcharging communities. During 2011, the Division will be performing a review of the rate structure. The Division reviews and sets water and sewer rates on a five-year basis in order to maintain stable and fiscally responsible utility rates.



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

---

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

### **Grant Acquisitions**

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 Division of Water and Waste Services.

- The Division was awarded funds of \$24,240,000 with 40 percent debt forgiveness from the U.S. Environmental Protection Agency, passed through the Michigan Department of Environmental Quality - ARRA - Capitalization Grants for Clean Water State Revolving Fund. Funds are being utilized for improvements to Pump Station #1 and new blowers and clarifiers at the Anthony Ragnone Treatment Plant. During 2010, the cumulative amount spent was \$13,537,000. A total of \$7,032,000 was spent toward completion of Pump Station #1 and \$1,305,000 was spent to replace blowers and \$5,200,000 on clarifiers.
- The Division was awarded funds of \$1,505,000 with 40 percent debt forgiveness from the U.S. Environmental Protection Agency, passed through the Michigan Department of Environmental Quality - ARRA - Capitalization Grants for Clean Water State Revolving Fund. The grant was used for replacement of digesters in District #3 and the cumulative amount spent in 2010 was \$1,360,000.

# Genesee County Drain Commissioner

## Division of Water and Waste Services

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

#### 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.

#### Condensed Financial Information

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

	December 31		Increase (Decrease)	Percent Change
	2010	2009		
<b>Assets</b>				
Current assets	\$ 19,914,712	\$ 17,832,644	\$ 2,082,068	11.7
Restricted assets	7,884,147	8,512,021	(627,874)	(7.4)
Noncurrent lease receivable	30,590,000	33,255,000	(2,665,000)	(8.0)
Capital assets	310,265,085	276,573,796	33,691,289	12.2
Other noncurrent assets	1,012,486	19,617,191	(18,604,705)	(94.8)
Total assets	369,666,430	355,790,652	13,875,778	3.9
<b>Liabilities</b>				
Current liabilities	12,795,085	12,978,996	(183,911)	(1.4)
Liabilities payable from restricted assets	6,281,470	2,775,724	3,505,746	126.3
Other noncurrent liabilities	4,037,688	21,583,125	(17,545,437)	(81.3)
Long-term debt	160,036,610	167,875,058	(7,838,448)	(4.7)
Total liabilities	183,150,853	205,212,903	(22,062,050)	(10.8)
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	172,198,508	139,401,844	32,796,664	23.5
Restricted for capital outlay	-	132,204	(132,204)	(100.0)
Restricted for bond ordinance	3,695,340	2,599,926	1,095,414	42.1
Unrestricted	10,621,729	8,443,775	2,177,954	25.8
Total net assets	<u>\$ 186,515,577</u>	<u>\$ 150,577,749</u>	<u>\$ 35,937,828</u>	23.9

# Genesee County Drain Commissioner

## Division of Water and Waste Services

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

	Year Ended December 31		Increase (Decrease)	Percent Change
	2010	2009		
Revenue from operations	\$ 50,002,564	\$ 48,623,754	\$ 1,378,810	2.8
Interest on operating cash and receivables	1,493,638	1,619,882	(126,244)	(7.8)
Total revenue	51,496,202	50,243,636	1,252,566	2.5
Sludge disposal charges	1,031,330	1,495,535	(464,205)	(31.0)
Cost of water	10,835,456	10,028,035	807,421	8.1
Operating and maintenance	17,798,002	17,759,377	38,625	0.2
Administrative and depreciation	12,114,792	11,830,716	284,076	2.4
Total operating expenses	41,779,580	41,113,663	665,917	1.6
Other nonoperating expense	3,632,023	4,408,444	(776,421)	(17.6)
Change in net assets - Before capital contributions	6,084,599	4,721,529	1,363,070	28.9
Capital contributions	29,853,229	7,912,927	21,940,302	277.3
Change in net assets	<b>\$ 35,937,828</b>	<b>\$ 12,634,456</b>	<b>\$ 23,303,372</b>	184.4

### Major Capital Assets and Debt Activity

The Division's Northeast Extension Sewer Project has two open contracts remaining in 2010 that had additional construction in progress of \$3.3 million in 2010 funded by State of Michigan Revolving Fund Loans. In 2010, construction was delayed due to contractor errors in construction. During 2011, the Division has opened a new contract to repair the new pipeline in order for the project to be completed. The Division is seeking legal redress to recover all additional expenses caused from the flawed pipeline.

Construction projects completed by the Division totaled \$25.8 million during 2010. This resulted in a reclassification of the construction costs of this amount from a nondepreciable asset to a depreciable asset. The major construction project closed was the District #3 Treatment Plant Expansion, which opened in 2004. This was a jointly funded project with \$18.9 million of funding supplied by communities and \$2.3 million funded by the Division.

Use of restricted County Capital Improvement Fees (CCIF) to pay debt service and the reduction of restricted receivables from other governmental entities has been the past practice of the Division. Underfunding has occurred and was considered in the planning of the CCIF program initially. CCIF will continue to be collected after retirement of the bond to reconstitute the fund in full.

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

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

### **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**

- Current assets increased by \$2.1 million in the current year. This is due to the water rate increase (pass-through from the City of Flint). Water rates went from \$2.54 per hundred cubic feet to \$2.76 per hundred cubic feet.
- Restricted assets increased from the prior year by \$628,000 due to an increase of completion of construction projects during 2010, of which the assets were being restricted for use.
- Capital assets increased by \$33.7 million. The largest portion of this was due to assets being transferred from the District #3 2008-2009 capital improvement project progress of \$21 million of additions to capital assets including vehicle storage, meter vault, and a raw sewage pump station.
- Liabilities payable from restricted assets increased \$3.5 million in 2010. This increase is due to large projects being closed out in prior year coupled with two new large projects partially completed as of December 31, 2010, as described above in Major Capital Assets and Debt.
- Other noncurrent liabilities decreased by \$17.5 million. The resulting decrease is the outcome of closing construction projects and recording the assets previously held as unearned leases.
- Overall, total net assets increased by \$35.9 million which is an increase of 23.9 percent. The change is the result of invested in capital assets, net of related debt increasing by \$32.8 million. The increase in the capital assets is, as described above, the result of the completion of the District #3 2008-2009 capital improvement project additions. The unrestricted increase of \$2.2 million is largely a result of the pass-through rate increases as outlined below.

# Genesee County Drain Commissioner Division of Water and Waste Services

## Management's Discussion and Analysis (Continued)

### Statement of Revenue, Expenses, and Changes in Net Assets

- Sludge disposal charges decreased by \$464,205 in 2010. The ARTP aggressively decanted excess water from the lime stabilized sludge in storage. Decanting increases the average concentration of total solids in storage by 25 percent, which makes it more cost efficient to dispose.
- Other nonoperating expense decreased by \$776,421. This is the result of a decrease in expense due to the timing of paying down debt prior to the new grants becoming due for payment for the first year. This timing difference will equal out in 2011 as a full year of principal and interest payments will be due for the new debt associated with the grants, as described above in the Capital Asset and Debt Activity section.
- Capital contributions increased \$21.9 million in 2010. This is directly related to the accumulation of assets through the completion of the District #3 2008-2009 capital improvement project as described previously.

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

	Year Ended December 31		
	2008	2009	2010
Total costs charged to townships	\$ 22,343,717	\$ 26,517,499	\$ 26,597,823
Total flow (thousands of gallons)	11,125,000	11,979,000	9,518,000
Cost per thousand of gallons	\$ 2.01	\$ 2.21	\$ 2.79

In October 2007, metered water customers were charged \$2.57 per account for readiness to serve and a commodity charge of \$1.32 per hundred 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 hundred 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. No increases were made during 2010.

# 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 efficiency of water purchased:

	Year Ended December 31		
	2008	2009	2010
Total costs charged to townships	\$ 17,377,540	\$ 19,809,718	\$ 21,202,820
Amount of purchased water (cu. ft.)	657,288,173	602,942,816	616,632,200
Amount of sold water	647,190,062	590,778,842	587,134,757
Water efficiency	98%	98%	95%
Cost of water (per 100 cu. ft.)	\$ 2.69	\$ 3.35	\$ 3.61

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, which increased to \$117,054 per month in August 2010, plus a commodity charge equal to the charge from Detroit to Flint for water. The City of Detroit changed its rate structure so that the Division now is responsible for a flat rate fee of \$91,156 per month in addition to the flat rate charged by the City of Flint.

### 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			
	2010		2009	
	Enterprise Fund	Internal Service Funds	Total	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 5,069,494	\$ 1,520,762	\$ 6,590,256	\$ 4,291,126
Accounts receivable	10,354,747	34,681	10,389,428	10,722,707
Prepaid expenses and other assets	1,069	222,160	223,229	133,799
Due from other governmental units	3,500	-	3,500	3,500
Current portion of leases receivable	2,665,000	-	2,665,000	2,630,000
Inventory	43,299	-	43,299	51,512
<b>Total current assets</b>	<b>18,137,109</b>	<b>1,777,603</b>	<b>19,914,712</b>	<b>17,832,644</b>
Noncurrent assets:				
Restricted cash and cash equivalents (Note 2)	5,497,421	-	5,497,421	6,528,490
Restricted accounts receivable	883,501	-	883,501	1,173,463
Restricted - Due from other governmental units	1,503,225	-	1,503,225	810,068
Leases receivable - Net of current portion	30,590,000	-	30,590,000	33,255,000
Bond discount	52,187	-	52,187	61,250
Unamortized cost of issuance	493,857	-	493,857	441,567
Local unit construction in progress	466,442	-	466,442	19,114,374
Capital assets (Note 3):				
Land and other assets not being depreciated	70,514,893	-	70,514,893	56,860,180
Buildings and equipment - Net of depreciation	237,324,951	2,425,241	239,750,192	219,713,616
<b>Total noncurrent assets</b>	<b>347,326,477</b>	<b>2,425,241</b>	<b>349,751,718</b>	<b>337,958,008</b>
<b>Total assets</b>	<b>365,463,586</b>	<b>4,202,844</b>	<b>369,666,430</b>	<b>355,790,652</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable and accrued expenses	2,809,953	355,252	3,165,205	3,668,186
Due to other governmental units	254,880	-	254,880	240,810
Internal balances	27,996	(27,996)	-	-
Current portion of bonds payable (Note 4)	9,375,000	-	9,375,000	9,070,000
<b>Total current liabilities</b>	<b>12,467,829</b>	<b>327,256</b>	<b>12,795,085</b>	<b>12,978,996</b>
Noncurrent liabilities:				
Liabilities related to restricted assets	6,281,470	-	6,281,470	2,775,724
Unearned leases	439,770	-	439,770	19,125,971
Bond premium	409,707	-	409,707	434,831
Other postemployment benefit obligation	3,188,211	-	3,188,211	2,022,323
Bonds payable - Net of current portion (Note 4)	160,036,610	-	160,036,610	167,875,058
<b>Total noncurrent liabilities</b>	<b>170,355,768</b>	<b>-</b>	<b>170,355,768</b>	<b>192,233,907</b>
<b>Total liabilities</b>	<b>182,823,597</b>	<b>327,256</b>	<b>183,150,853</b>	<b>205,212,903</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	174,536,049	2,425,241	176,961,290	139,401,844
Restricted for capital outlay	-	-	-	132,204
Restricted for bond ordinance	3,695,340	-	3,695,340	2,599,926
Unrestricted	4,408,600	1,450,347	5,858,947	8,443,775
<b>Total net assets</b>	<b>\$ 182,639,989</b>	<b>\$ 3,875,588</b>	<b>\$ 186,515,577</b>	<b>\$ 150,577,749</b>

# 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				
	2010			2009	
	Enterprise Fund	Internal Service Funds	Eliminations	Total	Total
<b>Operating Revenue</b>					
Sewage disposal service	\$ 26,597,823	\$ -	\$ -	\$ 26,597,823	\$ 26,517,499
Billing services	162,455	-	-	162,455	173,974
Sewer and pumping station -					
Operation and maintenance	1,197,151	-	-	1,197,151	1,191,575
Inspection fees	9,951	-	-	9,951	1,400
Water sales	21,202,820	-	-	21,202,820	19,809,718
Water meter sales	65,757	-	-	65,757	53,352
Billing to Enterprise Fund	-	3,999,345	(3,999,345)	-	-
Other operating revenue	609,652	156,955	-	766,607	876,236
<b>Total operating revenue</b>	<b>49,845,609</b>	<b>4,156,300</b>	<b>(3,999,345)</b>	<b>50,002,564</b>	<b>48,623,754</b>
<b>Operating Expenses</b>					
Personnel services	11,020,014	-	-	11,020,014	10,575,999
Administration	4,514,280	-	-	4,514,280	4,469,628
Contractual services	983,960	-	-	983,960	1,209,957
Sludge disposal service	1,031,330	-	-	1,031,330	1,495,535
Cost of water	10,835,456	-	-	10,835,456	10,028,035
Repairs and maintenance	2,754,390	2,770	(377,485)	2,379,675	2,360,102
Utilities	3,328,468	-	-	3,328,468	3,975,457
Other supplies and expenses	1,069,845	-	-	1,069,845	847,819
Insurance claims and expenses	223,608	3,772,300	(3,621,860)	374,048	381,804
Depreciation	5,879,881	362,623	-	6,242,504	5,769,327
<b>Total operating expenses</b>	<b>41,641,232</b>	<b>4,137,693</b>	<b>(3,999,345)</b>	<b>41,779,580</b>	<b>41,113,663</b>
<b>Operating Income</b>	<b>8,204,377</b>	<b>18,607</b>	<b>-</b>	<b>8,222,984</b>	<b>7,510,091</b>
<b>Nonoperating Revenue (Expenses)</b>					
Interest and investment revenue	1,493,378	260	-	1,493,638	1,619,882
Miscellaneous revenue	670,596	-	-	670,596	164,951
Gain on sale of capital asset	-	-	-	-	2,675
Interest expense	(4,296,163)	-	-	(4,296,163)	(4,519,657)
Miscellaneous expense	(6,456)	-	-	(6,456)	(56,413)
<b>Total nonoperating (expenses) revenue</b>	<b>(2,138,645)</b>	<b>260</b>	<b>-</b>	<b>(2,138,385)</b>	<b>(2,788,562)</b>
<b>Income - Before capital contributions and operating transfer</b>	<b>6,065,732</b>	<b>18,867</b>	<b>-</b>	<b>6,084,599</b>	<b>4,721,529</b>
<b>Capital Contributions</b>	<b>29,853,229</b>	<b>-</b>	<b>-</b>	<b>29,853,229</b>	<b>7,912,927</b>
<b>Operating Transfer</b>	<b>(110,100)</b>	<b>110,100</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in Net Assets</b>	<b>35,808,861</b>	<b>128,967</b>	<b>-</b>	<b>35,937,828</b>	<b>12,634,456</b>
<b>Net Assets - Beginning of year</b>	<b>146,831,128</b>	<b>3,746,621</b>	<b>-</b>	<b>150,577,749</b>	<b>137,943,293</b>
<b>Net Assets - End of year</b>	<b>\$ 182,639,989</b>	<b>\$ 3,875,588</b>	<b>\$ -</b>	<b>\$ 186,515,577</b>	<b>\$ 150,577,749</b>



# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Statement of Cash Flows - Proprietary Fund Types

	Year Ended December 31			
	2010		2009	
	Enterprise Fund	Internal Service Funds	Total	Total
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 50,209,727	\$ 4,157,454	\$ 54,367,181	\$ 52,776,820
Cash payments to suppliers and others for goods and services	(25,384,736)	(3,808,247)	(29,192,983)	(26,472,797)
Cash payments to employees	(9,743,772)	-	(9,743,772)	(10,575,999)
Net cash provided by operating activities	15,081,219	349,207	15,430,426	15,728,024
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(16,373,234)	(210,114)	(16,583,348)	(18,668,946)
Proceeds from sale of capital assets	-	-	-	2,675
Construction of community assets	(441,366)	-	(441,366)	(1,964,511)
County capital improvement fees	575,035	-	575,035	710,596
Collections of leases receivable from municipalities	4,502,447	-	4,502,447	4,596,758
Proceeds from issuance of bonded debt	2,030,362	-	2,030,362	18,247,565
Principal paid on bond maturities	(9,115,000)	-	(9,115,000)	(8,830,000)
Interest paid on bonds and other long-term liabilities	(4,340,771)	-	(4,340,771)	(4,540,078)
Proceeds from grants	8,957,130	-	8,957,130	1,037,103
Operating transfer	(110,100)	110,100	-	-
Net cash used in capital and related financing activities	(14,315,497)	(100,014)	(14,415,511)	(9,408,838)
<b>Cash Flows from Investing Activities - Investment income</b>	252,886	260	253,146	166,662
<b>Net Increase in Cash and Cash Equivalents</b>	1,018,608	249,453	1,268,061	6,485,848
<b>Cash and Cash Equivalents - Beginning of year</b>	9,548,307	1,271,309	10,819,616	4,333,768
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 10,566,915</u>	<u>\$ 1,520,762</u>	<u>\$ 12,087,677</u>	<u>\$ 10,819,616</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 8,204,377	\$ 18,607	\$ 8,222,984	\$ 7,510,091
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	5,879,881	362,623	6,242,504	5,769,327
Changes in assets and liabilities:				
Accounts receivable	385,883	(34,681)	351,202	144,611
Inventories	8,213	-	8,213	(51,512)
Prepaid assets	22,053	(111,483)	(89,430)	336,923
Accounts payable and accrued expenses	602,577	78,306	680,883	2,085,936
Internal balances	(35,835)	35,835	-	-
Due from other governmental units - Net	14,070	-	14,070	(67,352)
Net cash provided by operating activities	<u>\$ 15,081,219</u>	<u>\$ 349,207</u>	<u>\$ 15,430,426</u>	<u>\$ 15,728,024</u>
<b>Composition of Cash and Cash Equivalents</b>				
Cash and cash equivalents	\$ 5,069,494	\$ 1,520,762	\$ 6,590,256	\$ 4,291,126
Restricted cash and cash equivalents	5,497,421	-	5,497,421	6,528,490
Total cash and cash equivalents	<u>\$ 10,566,915</u>	<u>\$ 1,520,762</u>	<u>\$ 12,087,677</u>	<u>\$ 10,819,616</u>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2010, the Enterprise Fund had \$19,331,837 and \$825,390 contributed to the water and sewer systems by local communities and a grant, respectively.

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

---

**Notes to Financial Statements  
December 31, 2010**

## **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, 2010**

### **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 fund:

- 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.

Additionally, the Division reports the following Internal Service Fund:

- The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the Division on a cost-plus basis 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, 2010**

### **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 Act 342. Under this act, the County issues bonds and constructs assets on behalf of municipalities. These assets are then leased by the municipalities over the 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, 2010**

### **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 \$1,335,785 and \$1,016,108 for the years ended December 31, 2010 and 2009, respectively. The total number of eligible retirees amounted to 82 individuals during December 31, 2010 and 2009.

**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, 2010 and 2009, the Division has recorded a liability of approximately \$483,000 and \$416,000, 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, 2010**

### **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

**Comparative Data/Reclassifications** - Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

### **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.

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

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

---

**Notes to Financial Statements  
December 31, 2010**

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

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 \$15,320,071 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, 2010

#### Note 3 - Capital Assets

The following is a summary of proprietary fund-type capital assets at December 31, 2010:

	Balance January 1, 2010	Increases	Decreases	Reclassifications	Balance December 31, 2010
Proprietary funds capital assets:					
Enterprise Fund:					
Capital assets not being depreciated:					
Land	\$ 871,021	\$ -	\$ -	\$ -	\$ 871,021
Construction in progress	55,989,159	38,506,613	-	(24,851,900)	69,643,872
Subtotal	56,860,180	38,506,613	-	(24,851,900)	70,514,893
Capital assets being depreciated:					
Distribution and collections system	252,997,377	576,826	-	24,851,900	278,426,103
Vehicles	242,413	-	-	-	242,413
Buildings and equipment	4,473,902	640,242	-	-	5,114,144
Subtotal	257,713,692	1,217,068	-	24,851,900	283,782,660
Less accumulated depreciation for:					
Distribution and collections system	(37,776,306)	(5,408,656)	-	-	(43,184,962)
Vehicles	(66,941)	(85,215)	-	-	(152,156)
Buildings and equipment	(2,734,579)	(386,012)	-	-	(3,120,591)
Subtotal	(40,577,826)	(5,879,883)	-	-	(46,457,709)
Net capital assets being depreciated	217,135,866	(4,662,815)	-	24,851,900	237,324,951
Total capital assets - Net of depreciation	273,996,046	33,843,798	-	-	307,839,844
Internal Service Funds:					
Capital assets being depreciated - Buildings and equipment	7,618,296	210,114	-	-	7,828,410
Less accumulated depreciation - Buildings and equipment	(5,040,546)	(362,623)	-	-	(5,403,169)
Total capital assets - Net of depreciation	2,577,750	(152,509)	-	-	2,425,241
Total proprietary funds capital assets	\$ 276,573,796	\$ 33,691,289	\$ -	\$ -	\$ 310,265,085



# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Notes to Financial Statements December 31, 2010

#### 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, 2010, the Division's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Interceptor and treatment facilities	\$ 41,420,540	\$ 13,492,683
Sewage disposal system, District No. 3	6,293,229	594,915
Water supply system	386,285	330,737
Total	<u>\$ 48,100,054</u>	<u>\$ 14,418,335</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, 2010:

	Number of Issues	Interest Rate	Maturing Through	Balance January 1, 2010	Additions	Reductions	Balance December 31, 2010	Due Within One Year
Genesee County Drain Commissioner								
bonds payable:								
Interceptor and								
treatment facilities	11	1.625%-6.00%	2029	\$ 92,625,058	\$ 1,014,942	\$ (5,105,000)	\$ 88,535,000	\$ 5,265,000
District No. 3	2	2.50%-4.50%	2030	5,805,000	566,610	(205,000)	6,166,610	235,000
Water supply system	4	2.50%-5.00%	2033	42,630,000	-	(1,175,000)	41,455,000	1,210,000
Subtotal				141,060,058	1,581,552	(6,485,000)	136,156,610	6,710,000
Community-related bonds payable:								
Interceptor and								
treatment facilities	3	3.75%-4.75%	2026	6,035,000	-	(435,000)	5,600,000	365,000
District No. 3	6	2.50%-7.375%	2024	29,850,000	-	(2,195,000)	27,655,000	2,300,000
Subtotal				35,885,000	-	(2,630,000)	33,255,000	2,665,000
Total				<u>\$ 176,945,058</u>	<u>\$ 1,581,552</u>	<u>\$ (9,115,000)</u>	<u>\$ 169,411,610</u>	<u>\$ 9,375,000</u>

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

**Notes to Financial Statements  
December 31, 2010**

**Note 4 - Bonds Payable (Continued)**

Total interest expense for the year was \$6.1 million, of which \$1.8 million was capitalized as part of construction in progress. Annual debt service requirements to maturity for the above obligations are as follows:

Years Ending December 31	Principal	Interest	Total
2011	\$ 9,375,000	\$ 5,842,436	\$ 15,217,436
2012	9,740,000	5,529,285	15,269,285
2013	10,065,000	5,201,739	15,266,739
2014	10,420,000	4,853,407	15,273,407
2015	10,830,000	4,486,869	15,316,869
2016-2020	46,570,000	17,404,486	63,974,486
2021-2025	42,675,000	10,473,585	53,148,585
2026-2030	25,206,610	3,813,607	29,020,217
2031-2033	4,530,000	448,038	4,978,038
Total	<u>\$ 169,411,610</u>	<u>\$ 58,053,452</u>	<u>\$ 227,465,062</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 \$123,232,340. During the current year, net revenues of the system were \$14,084,258 compared to the annual debt requirements of \$7,182,774.

# Genesee County Drain Commissioner

## Division of Water and Waste Services

---

**Notes to Financial Statements**  
**December 31, 2010**

### **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 personal 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 supplemental 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 2010 and 2009, the Division's annual pension cost of \$1,744,861 and \$1,679,931, respectively, was equal to the Division's required and actual contributions. The required contributions were determined as part of the December 31, 2008 and 2007 actuarial valuations, using the entry age actuarial cost method.

**Actuarial Methods and Assumptions** - In the December 31, 2009 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 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 of 20 years at December 31, 2009.

# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Notes to Financial Statements December 31, 2010

#### 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
2008	2006	15.94	\$ 1,717,656	\$ 1,717,656	100%
2009	2007	16.49	1,679,931	1,679,931	100%
2010	2008	17.76	1,744,861	1,744,861	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)
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	5,191,617	87.9	8,245,848	63.0
2007	38,979,791	44,748,462	5,768,671	87.1	7,823,724	73.7
2008	37,329,643	46,855,482	9,525,839	79.7	8,420,060	113.1
2009	36,627,952	49,055,966	12,428,014	74.7	8,130,143	152.9

#### 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, 2010**

### **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, 2010, the Division has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. 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)	\$ 2,587,823
Interest on the prior year's net OPEB obligation	121,341
Less adjustment to the annual required contribution	<u>(67,411)</u>
Annual OPEB cost	2,641,753
Amounts contributed:	
Payments of current premiums	(1,395,270)
Advance funding	<u>(80,595)</u>
Increase in net OPEB obligation	1,165,888
OPEB obligation - Beginning of year	<u>2,022,323</u>
OPEB obligation - End of year	<u><u>\$ 3,188,211</u></u>

The net OPEB obligation is recorded in the basic financial statements as part of noncurrent liabilities.

# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Notes to Financial Statements December 31, 2010

#### 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 were as follows:

Annual OPEB costs	\$ 2,641,753
Percentage contributed	55.87%
Net OPEB obligation	\$ 3,188,211

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

Valuation as of:	December 31, 2008	December 31, 2005
Actuarial value of assets	\$ -	\$ -
Actuarial accrued liability	\$ 35,394,879	\$ 22,642,182
Unfunded AAL	\$ 35,394,879	\$ 22,642,182
Funded ratio	- %	- %
Annual covered payroll	\$ 8,420,060	\$ 8,138,717
Ratio of UAAL to covered payroll	420.36%	278.20%

The schedule of employer contributions is as follows:

Fiscal Year Ended	Valuation Date	Contribution Rate as Percentage of Valuation	Annual Required Contribution (ARC)	Percentage of ARC Contributed
December 31	December 31	Payroll	(ARC)	Contributed
2008	2005	23.76%	\$ 2,044,285	53.63%
2009	2008	25.42%	2,114,429	49.18%
2010	2008	32.43%	2,641,753	55.87%

**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, 2010**

### **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, 2008 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 6.0 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 are as follows:

	2010	2009
Unpaid claims - Beginning of year	\$ 258,237	\$ 127,003
Incurred claims (including claims incurred but not reported)	2,444,271	2,165,855
Claim payments	(2,441,346)	(2,034,621)
Unpaid claims - End of year	\$ 261,162	\$ 258,237

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

---

**Notes to Financial Statements  
December 31, 2010**

## **Note 8 - Subsequent Event**

The Division issued Series 2011 \$1,445,000 state revolving fund sewage system revenue bonds in March 2011. The proceeds from these bonds will be used to fund sewer system 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					
	2010				2009	
	Interceptor and Treatment Facilities	Sewage Disposal Systems District		Water Supply Systems	Total	Total
	No. 3	No. 7				
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 506,111	\$ 26,665	\$ -	\$ 4,536,718	\$ 5,069,494	\$ 3,019,817
Accounts receivable	5,830,426	745,745	162,281	3,616,295	10,354,747	10,722,707
Prepaid expenses	689	210	20	150	1,069	23,122
Internal balances	-	-	-	2,573,473	2,573,473	2,533,387
Due from other governmental units	3,500	-	-	-	3,500	3,500
Leases receivable	365,000	2,300,000	-	-	2,665,000	2,630,000
Inventory	-	-	-	43,299	43,299	51,512
Total current assets	<u>6,705,726</u>	<u>3,072,620</u>	<u>162,301</u>	<u>10,769,935</u>	<u>20,710,582</u>	<u>18,984,045</u>
Noncurrent assets:						
Restricted cash and cash equivalents	4,597,732	473,208	-	426,481	5,497,421	6,528,490
Restricted accounts receivable	343,009	247,524	-	292,968	883,501	1,173,463
Restricted - Due from other governmental units	738,870	345,031	400,000	19,324	1,503,225	810,068
Leases receivable	5,235,000	25,355,000	-	-	30,590,000	33,255,000
Bond discount	52,187	-	-	-	52,187	61,250
Unamortized cost of issuance	470,336	23,521	-	-	493,857	441,567
Local unit construction in progress	176,237	-	-	290,205	466,442	19,114,374
Capital assets:						
Land and other assets not being depreciated	68,278,899	1,482,315	-	753,679	70,514,893	56,860,180
Buildings and equipment - Net of depreciation	144,749,767	27,898,069	455,577	64,221,538	237,324,951	217,135,866
Total noncurrent assets	<u>224,642,037</u>	<u>55,824,668</u>	<u>855,577</u>	<u>66,004,195</u>	<u>347,326,477</u>	<u>335,380,258</u>
Total assets	<u>231,347,763</u>	<u>58,897,288</u>	<u>1,017,878</u>	<u>76,774,130</u>	<u>368,037,059</u>	<u>354,364,303</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable and accrued expenses	1,217,036	161,829	20,239	1,410,849	2,809,953	3,391,240
Due to other governmental units	253,300	-	-	1,580	254,880	240,810
Internal balances	1,744,293	422,934	427,983	6,259	2,601,469	2,597,218
Current portion of bonds payable	5,630,000	2,535,000	-	1,210,000	9,375,000	9,070,000
Total current liabilities	<u>8,844,629</u>	<u>3,119,763</u>	<u>448,222</u>	<u>2,628,688</u>	<u>15,041,302</u>	<u>15,299,268</u>
Noncurrent liabilities:						
Liabilities related to restricted assets	4,931,684	815,202	-	534,584	6,281,470	2,775,724
Unearned lease	176,237	-	-	263,533	439,770	19,125,971
Bond premium	196,796	27,150	-	185,761	409,707	434,831
Other postemployment benefit obligation	2,006,282	300,757	64,759	816,413	3,188,211	2,022,323
Bonds payable - Net of current portion	88,505,000	31,286,610	-	40,245,000	160,036,610	167,875,058
Total noncurrent liabilities	<u>95,815,999</u>	<u>32,429,719</u>	<u>64,759</u>	<u>42,045,291</u>	<u>170,355,768</u>	<u>192,233,907</u>
Total liabilities	<u>104,660,628</u>	<u>35,549,482</u>	<u>512,981</u>	<u>44,673,979</u>	<u>185,397,070</u>	<u>207,533,175</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	127,204,702	23,541,314	455,577	23,334,456	174,536,049	136,824,094
Restricted for capital outlay	-	-	-	-	-	132,204
Restricted for bond ordinance	600,000	-	-	3,095,340	3,695,340	2,599,926
Unrestricted	(1,117,567)	(193,508)	49,320	5,670,355	4,408,600	7,274,904
Total net assets	<u>\$ 126,687,135</u>	<u>\$ 23,347,806</u>	<u>\$ 504,897</u>	<u>\$ 32,100,151</u>	<u>\$ 182,639,989</u>	<u>\$ 146,831,128</u>

# 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					
	2010				2009	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
	District No. 3	District No. 7				
<b>Operating Revenue</b>						
Sewage disposal service	\$ 22,596,773	\$ 3,272,101	\$ 728,949	\$ -	\$ 26,597,823	\$ 26,517,499
Billing services	81,102	30	4,497	76,826	162,455	173,974
Sewer and pumping station - Operation and maintenance	1,197,151	-	-	-	1,197,151	1,191,575
Inspection fees	9,951	-	-	-	9,951	1,400
Water sales	-	-	-	21,202,820	21,202,820	19,809,718
Water meter sales	-	-	-	65,757	65,757	53,352
Other operating revenue	394,055	413	305	214,879	609,652	801,119
<b>Total operating revenue</b>	<b>24,279,032</b>	<b>3,272,544</b>	<b>733,751</b>	<b>21,560,282</b>	<b>49,845,609</b>	<b>48,548,637</b>
<b>Operating Expenses</b>						
Personnel services	6,880,398	1,448,174	251,881	2,439,561	11,020,014	10,575,999
Administration	2,158,878	284,150	87,184	1,984,068	4,514,280	4,469,628
Contractual services	434,336	133,085	21,646	394,893	983,960	1,209,957
Sludge disposal service	842,920	188,010	400	-	1,031,330	1,495,535
Cost of water	-	-	-	10,835,456	10,835,456	10,028,035
Repairs and maintenance	1,970,359	276,759	96,573	410,699	2,754,390	2,783,898
Utilities	2,303,414	416,224	168,620	440,210	3,328,468	3,975,457
Other supplies and expenses	650,606	128,339	35,912	254,988	1,069,845	847,819
Insurance claims and expenses	122,634	26,176	3,297	71,501	223,608	410,692
Depreciation	3,706,869	376,235	14,648	1,782,129	5,879,881	5,414,322
<b>Total operating expenses</b>	<b>19,070,414</b>	<b>3,277,152</b>	<b>680,161</b>	<b>18,613,505</b>	<b>41,641,232</b>	<b>41,211,342</b>
<b>Operating Income (Loss)</b>	<b>5,208,618</b>	<b>(4,608)</b>	<b>53,590</b>	<b>2,946,777</b>	<b>8,204,377</b>	<b>7,337,295</b>
<b>Nonoperating Revenue (Expenses)</b>						
Interest and investment revenue	254,459	1,219,622	(601)	19,898	1,493,378	1,618,402
Miscellaneous revenue	355,290	3,061	-	312,245	670,596	164,951
Interest expense	(1,164,902)	(1,218,718)	-	(1,912,543)	(4,296,163)	(4,519,657)
Miscellaneous expense	(4,149)	(1,247)	(1,060)	-	(6,456)	(56,413)
<b>Total nonoperating (expenses) revenue</b>	<b>(559,302)</b>	<b>2,718</b>	<b>(1,661)</b>	<b>(1,580,400)</b>	<b>(2,138,645)</b>	<b>(2,792,717)</b>
<b>Income (Loss) - Before capital contributions and operating transfer</b>	<b>4,649,316</b>	<b>(1,890)</b>	<b>51,929</b>	<b>1,366,377</b>	<b>6,065,732</b>	<b>4,544,578</b>
<b>Capital Contributions</b>	<b>10,105,392</b>	<b>19,347,837</b>	<b>400,000</b>	<b>-</b>	<b>29,853,229</b>	<b>7,912,927</b>
<b>Operating Transfer</b>	<b>(55,050)</b>	<b>-</b>	<b>-</b>	<b>(55,050)</b>	<b>(110,100)</b>	<b>(463,951)</b>
<b>Change in Net Assets</b>	<b>14,699,658</b>	<b>19,345,947</b>	<b>451,929</b>	<b>1,311,327</b>	<b>35,808,861</b>	<b>11,993,554</b>
<b>Net Assets - Beginning of year</b>	<b>111,987,477</b>	<b>4,001,859</b>	<b>52,968</b>	<b>30,788,824</b>	<b>146,831,128</b>	<b>134,837,574</b>
<b>Net Assets - End of year</b>	<b>\$ 126,687,135</b>	<b>\$ 23,347,806</b>	<b>\$ 504,897</b>	<b>\$ 32,100,151</b>	<b>\$ 182,639,989</b>	<b>\$ 146,831,128</b>

# Genesee County Drain Commissioner Division of Water and Waste Services

## Statement of Cash Flows (Divisional Detail) - Enterprise Fund

	Year Ended December 31					
	2010				2009	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
	District No. 3	District No. 7				
<b>Cash Flows from Operating Activities</b>						
Cash received from customers	\$ 24,657,489	\$ 3,170,132	\$ 1,134,755	\$ 21,247,351	\$ 50,209,727	\$ 48,650,024
Cash payments to suppliers and others for goods and services	(8,926,019)	(1,609,594)	(486,338)	(14,362,785)	(25,384,736)	(25,033,693)
Cash payments to employees	(6,064,869)	(1,322,638)	(229,499)	(2,126,766)	(9,743,772)	(8,553,676)
Net cash provided by operating activities	9,666,601	237,900	418,918	4,757,800	15,081,219	15,062,655
<b>Cash Flows from Capital and Related Financing Activities</b>						
Purchases of capital assets	(14,367,319)	(1,556,394)	(17,257)	(432,264)	(16,373,234)	(18,117,314)
Construction of community assets	58,381	(86,359)	(400,000)	(13,388)	(441,366)	(1,964,511)
County capital improvement fees	230,200	-	-	344,835	575,035	710,596
Collections of leases receivable from municipalities	672,750	3,829,697	-	-	4,502,447	4,596,758
Proceeds from issuance of bonded debt	1,463,752	566,610	-	-	2,030,362	18,247,565
Principal paid on bond maturities	(5,540,000)	(2,400,000)	-	(1,175,000)	(9,115,000)	(8,830,000)
Interest paid on bonds	(1,191,187)	(1,220,315)	-	(1,929,269)	(4,340,771)	(4,540,078)
Proceeds from grants	8,957,130	-	-	-	8,957,130	1,037,103
Operating transfer	(55,050)	-	-	(55,050)	(110,100)	(463,951)
Net cash used in capital and related financing activities	(9,771,343)	(866,761)	(417,257)	(3,260,136)	(14,315,497)	(9,323,832)
<b>Cash Flows from Investing Activities - Investment income (loss)</b>	140,648	2,738	(1,661)	111,161	252,886	165,182
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	35,906	(626,123)	-	1,608,825	1,018,608	5,904,005
<b>Cash and Cash Equivalents - Beginning of year</b>	5,067,937	1,125,996	-	3,354,374	9,548,307	3,644,302
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 5,103,843</b>	<b>\$ 499,873</b>	<b>\$ -</b>	<b>\$ 4,963,199</b>	<b>\$ 10,566,915</b>	<b>\$ 9,548,307</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>						
Operating income (loss)	\$ 5,208,618	\$ (4,608)	\$ 53,590	\$ 2,946,777	\$ 8,204,377	\$ 7,337,295
Adjustments to reconcile operating income (loss) to net cash from operating activities:						
Depreciation	3,706,869	376,235	14,648	1,782,129	5,879,881	5,414,322
Changes in assets and liabilities:						
Accounts receivable	635,590	(131,017)	142,293	(260,983)	385,883	144,262
Inventories	-	-	-	8,213	8,213	(51,512)
Prepaid assets	1,786	13,399	1,608	5,260	22,053	320,597
Accounts payable and accrued expenses	370,871	(44,714)	(51,932)	328,352	602,577	1,940,566
Internal balances	(271,133)	28,605	258,711	(52,018)	(35,835)	24,477
Due to (from) other governmental units - Net	14,000	-	-	70	14,070	(67,352)
Net cash provided by operating activities	<b>\$ 9,666,601</b>	<b>\$ 237,900</b>	<b>\$ 418,918</b>	<b>\$ 4,757,800</b>	<b>\$ 15,081,219</b>	<b>\$ 15,062,655</b>
<b>Composition of Cash and Cash Equivalents</b>						
Cash and cash equivalents	\$ 506,111	\$ 26,665	\$ -	\$ 4,536,718	\$ 5,069,494	\$ 3,019,817
Restricted cash and cash equivalents	4,597,732	473,208	-	426,481	5,497,421	6,528,490
Total cash and cash equivalents	<b>\$ 5,103,843</b>	<b>\$ 499,873</b>	<b>\$ -</b>	<b>\$ 4,963,199</b>	<b>\$ 10,566,915</b>	<b>\$ 9,548,307</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended December 31, 2010, the Enterprise Fund had \$19,331,837 and \$825,390 contributed to the water and sewer systems by local communities and a grant, respectively.

# Genesee County Drain Commissioner

## Division of Water and Waste Services

### Statement of Net Assets - Internal Service Funds

	Year Ended December 31			
	2010		2009	
	Equipment Fund	Insurance Fund	Total	Total
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,326,174	\$ 194,588	\$ 1,520,762	\$ 1,271,309
Accounts receivable	-	34,681	34,681	-
Internal balances	27,996	-	27,996	63,831
Prepaid expenses and other assets	113	222,047	222,160	110,677
Total current assets	1,354,283	451,316	1,805,599	1,445,817
Noncurrent assets - Buildings and equipment - Net of depreciation	2,425,241	-	2,425,241	2,577,750
Total assets	3,779,524	451,316	4,230,840	4,023,567
<b>Liabilities</b> - Current liabilities - Accounts payable and accrued expenses				
	-	355,252	355,252	276,946
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	2,425,241	-	2,425,241	2,577,750
Unrestricted	1,354,283	96,064	1,450,347	1,168,871
Total net assets	<u>\$ 3,779,524</u>	<u>\$ 96,064</u>	<u>\$ 3,875,588</u>	<u>\$ 3,746,621</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			
	2010			2009
	Equipment Fund	Insurance Fund	Total	Total
<b>Operating Revenue</b>				
Billing to Enterprise Fund	\$ 377,485	\$ 3,621,860	\$ 3,999,345	\$ 4,075,807
Other operating revenue	14,456	142,499	156,955	75,117
Total operating revenue	391,941	3,764,359	4,156,300	4,150,924
<b>Operating Expenses</b>				
Repairs and maintenance	2,770	-	2,770	-
Insurance claims and expenses	-	3,772,300	3,772,300	3,623,123
Depreciation	362,623	-	362,623	355,005
Total operating expenses	365,393	3,772,300	4,137,693	3,978,128
<b>Operating Income (Loss)</b>	26,548	(7,941)	18,607	172,796
<b>Nonoperating Revenue</b>				
Interest and investment revenue	260	-	260	1,480
Gain on sale of capital asset	-	-	-	2,675
Total nonoperating revenue	260	-	260	4,155
<b>Income (Loss) - Before operating transfer</b>	26,808	(7,941)	18,867	176,951
<b>Operating Transfer</b>	110,100	-	110,100	463,951
<b>Change in Net Assets</b>	136,908	(7,941)	128,967	640,902
<b>Net Assets - Beginning of year</b>	3,642,616	104,005	3,746,621	3,105,719
<b>Net Assets - End of year</b>	<u>\$ 3,779,524</u>	<u>\$ 96,064</u>	<u>\$ 3,875,588</u>	<u>\$ 3,746,621</u>

# Genesee County Drain Commissioner Division of Water and Waste Services

## Statement of Cash Flows - Internal Service Funds

	Year Ended December 31			
	2010			2009
	Equipment Fund	Insurance Fund	Total	Total
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 427,776	\$ 3,729,678	\$ 4,157,454	\$ 4,126,796
Cash payments to suppliers and others for goods and services	(2,883)	(3,805,364)	(3,808,247)	(3,461,427)
Net cash provided by (used in) operating activities	424,893	(75,686)	349,207	665,369
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchases of capital assets	(210,114)	-	(210,114)	(551,632)
Proceeds from sale of capital assets	-	-	-	2,675
Operating transfer	110,100	-	110,100	463,951
Net cash used in capital and related financing activities	(100,014)	-	(100,014)	(85,006)
<b>Cash Flows from Investing Activities - Investment income</b>	260	-	260	1,480
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	325,139	(75,686)	249,453	581,843
<b>Cash and Cash Equivalents - Beginning of year</b>	1,001,035	270,274	1,271,309	689,466
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,326,174</b>	<b>\$ 194,588</b>	<b>\$ 1,520,762</b>	<b>\$ 1,271,309</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>				
Operating income (loss)	\$ 26,548	\$ (7,941)	\$ 18,607	\$ 172,796
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	362,623	-	362,623	355,005
Changes in assets and liabilities:				
Accounts receivable	-	(34,681)	(34,681)	349
Prepaid assets	(113)	(111,370)	(111,483)	16,326
Accounts payable, accrued expenses, and deferred revenue	-	78,306	78,306	145,370
Internal balances	35,835	-	35,835	(24,477)
Net cash provided by (used in) operating activities	<b>\$ 424,893</b>	<b>\$ (75,686)</b>	<b>\$ 349,207</b>	<b>\$ 665,369</b>

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

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2010	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2010	2011		2012	
					Principal	Interest	Principal	Interest
<b>Interceptor and Treatment Facilities</b>								
<b><u>Genesee County Drain Commissioner Bonds</u></b>								
<b><u>Payable:</u></b>								
<b>Series 2000 \$6,000,000</b> 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%	\$ 3,200,000	\$ -	\$ (450,000)	\$ 2,750,000	\$ 500,000	\$ 104,500	\$ 550,000	\$ 79,000
<b>Series 2002A \$11,000,000</b> 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%	6,960,000	-	(715,000)	6,245,000	755,000	260,583	800,000	228,305
<b>Series 2003 \$9,000,000</b> 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%	4,320,000	-	(410,000)	3,910,000	425,000	164,520	440,000	149,008
<b>Series 2005A \$22,180,000</b> 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 in May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with interest rate of 1.625%	19,285,000	-	(995,000)	18,290,000	1,010,000	297,213	1,025,000	280,800
<b>Series 2005B \$15,505,000</b> State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee for Division project. Fully drawn in May 2007. Due in amounts ranging from \$660,000 to \$900,000 through 2026 with interest rate of 1.625%	13,490,000	-	(695,000)	12,795,000	705,000	202,191	720,000	190,613
<b>Series 2006A \$2,815,000</b> State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in October 2007. Due in amounts ranging from \$120,000 to \$165,000 through 2027 with interest rate of 1.625%	2,575,000	-	(125,000)	2,450,000	125,000	39,813	130,000	37,781
<b>Series 2006B \$7,705,000</b> State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with interest rate of 1.625%	7,040,000	-	(340,000)	6,700,000	345,000	108,875	350,000	103,269
<b>Series 2006C \$4,335,000</b> State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with interest rate of 1.625%	3,960,000	-	(190,000)	3,770,000	195,000	61,263	200,000	58,094



## Summary of Bonds Payable Year Ended December 31, 2010

2013		2014		2015		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 550,000	\$ 57,000	\$ 550,000	\$ 35,000	\$ 600,000	\$ 12,000	\$ -	\$ -	\$ 2,750,000	\$ 287,500
845,000	193,338	890,000	155,590	940,000	114,860	2,015,000	94,795	6,245,000	1,047,471
460,000	132,288	480,000	113,888	495,000	93,488	1,610,000	146,925	3,910,000	800,117
1,045,000	264,144	1,060,000	247,163	1,080,000	229,938	13,070,000	1,308,127	18,290,000	2,627,385
730,000	178,831	740,000	166,888	755,000	154,741	9,145,000	841,304	12,795,000	1,734,568
130,000	35,669	130,000	33,556	135,000	31,444	1,800,000	196,055	2,450,000	374,318
355,000	97,581	365,000	91,813	370,000	85,881	4,915,000	534,381	6,700,000	1,021,800
200,000	54,844	205,000	51,594	205,000	48,263	2,765,000	300,950	3,770,000	575,008

# Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2010	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2010	2011		2012	
					Principal	Interest	Principal	Interest
<b>Interceptor and Treatment Facilities (Continued)</b>								
<b><u>Genesee County Drain Commissioner Bonds</u></b>								
<b><u>Payable:</u></b>								
<b>Series 2007 \$10,500,000</b> State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in December 2010. Due in amounts ranging from \$450,000 to \$610,000 through 2028 with interest rate of 1.625%	\$ 9,035,058	\$ 1,014,942	\$ (455,000)	\$ 9,595,000	\$ 465,000	\$ 152,175	\$ 470,000	\$ 144,544
<b>Series 2007B \$8,000,000</b> 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%	7,760,000	-	(255,000)	7,505,000	265,000	311,378	280,000	300,778
<b>Series 2009A \$15,000,000</b> Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Due serially and term amounts ranging from \$475,000 to \$1,150,000 through 2029 with interest rates from 2.75% to 5.00%	15,000,000	-	(475,000)	14,525,000	475,000	633,313	475,000	620,250
Total Genesee County Drain Commission bonds payable	92,625,058	1,014,942	(5,105,000)	88,535,000	5,265,000	2,335,824	5,440,000	2,192,442
<b><u>Community-related Bonds Payable:</u></b>								
<b>Refunding Series 1998 \$3,335,000</b> 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%	90,000	-	(90,000)	-	-	-	-	-
<b>Refunding Series 2005 \$2,900,000</b> 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%	2,625,000	-	(220,000)	2,405,000	230,000	94,805	235,000	85,273
<b>Series 2006 \$3,665,000</b> 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%	3,320,000	-	(125,000)	3,195,000	135,000	129,535	140,000	124,035
Total Community-related bonds payable	6,035,000	-	(435,000)	5,600,000	365,000	224,340	375,000	209,308
Total Interceptor and Treatment Facilities bonds payable	<b>\$ 98,660,058</b>	<b>\$ 1,014,942</b>	<b>\$ (5,540,000)</b>	<b>\$ 94,135,000</b>	<b>\$ 5,630,000</b>	<b>\$ 2,560,164</b>	<b>\$ 5,815,000</b>	<b>\$ 2,401,750</b>

## Summary of Bonds Payable (Continued) Year Ended December 31, 2010

2013		2014		2015		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 480,000	\$ 136,825	\$ 485,000	\$ 128,984	\$ 495,000	\$ 121,022	\$ 7,200,000	\$ 787,151	\$ 9,595,000	\$ 1,470,701
295,000	289,578	310,000	277,778	325,000	265,378	6,030,000	1,970,391	7,505,000	3,415,281
500,000	607,188	525,000	593,438	525,000	577,688	12,025,000	4,870,594	14,525,000	7,902,471
5,590,000	2,047,286	5,740,000	1,895,692	5,925,000	1,734,703	60,575,000	11,050,673	88,535,000	21,256,620
-	-	-	-	-	-	-	-	-	-
245,000	75,433	255,000	65,183	265,000	54,523	1,175,000	101,736	2,405,000	476,953
145,000	118,335	155,000	112,335	165,000	105,935	2,455,000	626,746	3,195,000	1,216,921
390,000	193,768	410,000	177,518	430,000	160,458	3,630,000	728,482	5,600,000	1,693,874
<b>\$ 5,980,000</b>	<b>\$ 2,241,054</b>	<b>\$ 6,150,000</b>	<b>\$ 2,073,210</b>	<b>\$ 6,355,000</b>	<b>\$ 1,895,161</b>	<b>\$ 64,205,000</b>	<b>\$ 11,779,155</b>	<b>\$ 94,135,000</b>	<b>\$ 22,950,494</b>

# Genesee County Drain Commissioner

## Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2010	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2010	2011		2012	
					Principal	Interest	Principal	Interest
<b>District No. 3</b>								
<b><u>Genesee County Drain Commissioner Bonds</u></b>								
<b><u>Payable:</u></b>								
<b>Series 2007 \$6,000,000</b> 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%	\$ 5,805,000	\$ -	\$ (205,000)	\$ 5,600,000	\$ 215,000	\$ 232,638	\$ 225,000	\$ 223,838
<b>Series 2010A \$1,089,000</b> State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Digester Improvement project. \$22,470 remaining to be drawn. Due in amounts ranging from \$40,000 to \$70,000 through 2030 with interest rate of 2.50%	-	566,610	-	566,610	20,000	15,187	25,000	13,438
Total Genesee County Drain Commission bonds payable	5,805,000	566,610	(205,000)	6,166,610	235,000	247,825	250,000	237,276
<b><u>Community-related Bonds Payable:</u></b>								
<b>Series 1996 \$1,240,000</b> 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%	725,000	-	(75,000)	650,000	75,000	33,594	75,000	29,544
<b>Refunding Series 1996A \$12,940,000</b> 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%	9,360,000	-	(1,315,000)	8,045,000	1,340,000	346,850	1,350,000	289,688
<b>Series 2003 \$4,000,000</b> 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%	3,275,000	-	(175,000)	3,100,000	175,000	122,213	200,000	116,525
<b>Series 2004 \$8,000,000</b> 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%	6,900,000	-	(325,000)	6,575,000	325,000	273,750	350,000	260,250
<b>Series 2004 \$4,600,000</b> 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%	4,200,000	-	(100,000)	4,100,000	150,000	170,000	150,000	164,000
<b>Refunding Series 2007 \$5,615,000</b> 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%	5,390,000	-	(205,000)	5,185,000	235,000	202,700	290,000	192,200
Total Community-related bonds payable	29,850,000	-	(2,195,000)	27,655,000	2,300,000	1,149,107	2,415,000	1,052,207
Total District No. 3 bonds payable	\$ 35,655,000	\$ 566,610	\$ (2,400,000)	\$ 33,821,610	\$ 2,535,000	\$ 1,396,932	\$ 2,665,000	\$ 1,289,483

## Summary of Bonds Payable (Continued) Year Ended December 31, 2010

2013		2014		2015		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 240,000	\$ 214,538	\$ 250,000	\$ 204,738	\$ 265,000	\$ 194,438	\$ 4,405,000	\$ 1,274,071	\$ 5,600,000	\$ 2,344,261
<u>25,000</u>	<u>12,813</u>	<u>25,000</u>	<u>12,188</u>	<u>25,000</u>	<u>11,563</u>	<u>446,610</u>	<u>89,879</u>	<u>566,610</u>	<u>155,068</u>
265,000	227,351	275,000	216,926	290,000	206,001	4,851,610	1,363,950	6,166,610	2,499,329
100,000	24,750	100,000	19,250	100,000	13,750	200,000	11,000	650,000	131,888
1,355,000	228,819	1,345,000	164,694	1,330,000	99,500	1,325,000	33,125	8,045,000	1,162,676
200,000	109,775	200,000	102,775	200,000	95,775	2,125,000	466,038	3,100,000	1,013,101
350,000	244,500	400,000	225,750	400,000	207,750	4,750,000	1,016,625	6,575,000	2,228,625
150,000	157,250	150,000	149,750	200,000	142,000	3,300,000	673,000	4,100,000	1,456,000
<u>355,000</u>	<u>179,300</u>	<u>440,000</u>	<u>163,400</u>	<u>540,000</u>	<u>143,800</u>	<u>3,325,000</u>	<u>284,700</u>	<u>5,185,000</u>	<u>1,166,100</u>
<u>2,510,000</u>	<u>944,394</u>	<u>2,635,000</u>	<u>825,619</u>	<u>2,770,000</u>	<u>702,575</u>	<u>15,025,000</u>	<u>2,484,488</u>	<u>27,655,000</u>	<u>7,158,390</u>
<b>\$ 2,775,000</b>	<b>\$ 1,171,745</b>	<b>\$ 2,910,000</b>	<b>\$ 1,042,545</b>	<b>\$ 3,060,000</b>	<b>\$ 908,576</b>	<b>\$ 19,876,610</b>	<b>\$ 3,848,438</b>	<b>\$ 33,821,610</b>	<b>\$ 9,657,719</b>

# Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2010	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2010	2011		2012	
					Principal	Interest	Principal	Interest
<b>Water Supply Systems</b>								
<b><u>Genesee County Drain Commissioner Bonds Payable:</u></b>								
<b>Series 2003 \$9,000,000</b> 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%	\$ 5,995,000	\$ -	\$ (570,000)	\$ 5,425,000	\$ 590,000	\$ 212,461	\$ 615,000	\$ 188,361
<b>Series 2003 \$18,000,000</b> 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%	16,790,000	-	(245,000)	16,545,000	255,000	804,763	270,000	794,563
<b>Series 2004 \$14,960,000</b> 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%	14,145,000	-	(210,000)	13,935,000	215,000	628,638	225,000	621,650
<b>Series 2007 \$6,000,000</b> 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%	5,700,000	-	(150,000)	5,550,000	150,000	239,478	150,000	233,478
Total Genesee County Drain Commission bonds payable	42,630,000	-	(1,175,000)	41,455,000	1,210,000	1,885,340	1,260,000	1,838,052
Total Water Supply Systems bonds payable	<b>\$ 42,630,000</b>	<b>\$ -</b>	<b>\$ (1,175,000)</b>	<b>\$ 41,455,000</b>	<b>\$ 1,210,000</b>	<b>\$ 1,885,340</b>	<b>\$ 1,260,000</b>	<b>\$ 1,838,052</b>
Total Genesee County Drain Commission bonds payable	\$ 141,060,058	\$ 1,581,552	\$ (6,485,000)	\$ 136,156,610	\$ 6,710,000	\$ 4,468,989	\$ 6,950,000	\$ 4,267,770
Total Community-related bonds payable	35,885,000	-	(2,630,000)	33,255,000	2,665,000	1,373,447	2,790,000	1,261,515
Total - All bonds payable	<b>\$ 176,945,058</b>	<b>\$ 1,581,552</b>	<b>\$ (9,115,000)</b>	<b>\$ 169,411,610</b>	<b>\$ 9,375,000</b>	<b>\$ 5,842,436</b>	<b>\$ 9,740,000</b>	<b>\$ 5,529,285</b>

## Summary of Bonds Payable (Continued) Year Ended December 31, 2010

2013		2014		2015		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 635,000	\$ 163,361	\$ 660,000	\$ 137,461	690,000	110,116	\$ 2,235,000	\$ 147,833	\$ 5,425,000	\$ 959,593
290,000	783,763	310,000	772,163	325,000	759,763	15,095,000	8,444,388	16,545,000	12,359,403
235,000	614,338	240,000	606,700	240,000	598,300	12,780,000	5,515,700	13,935,000	8,585,326
150,000	227,478	150,000	221,328	160,000	214,953	4,790,000	2,404,202	5,550,000	3,540,917
1,310,000	1,788,940	1,360,000	1,737,652	1,415,000	1,683,132	34,900,000	16,512,123	41,455,000	25,445,239
<b>\$ 1,310,000</b>	<b>\$ 1,788,940</b>	<b>\$ 1,360,000</b>	<b>\$ 1,737,652</b>	<b>\$ 1,415,000</b>	<b>\$ 1,683,132</b>	<b>\$ 34,900,000</b>	<b>\$ 16,512,123</b>	<b>\$ 41,455,000</b>	<b>\$ 25,445,239</b>
\$ 7,165,000	\$ 4,063,577	\$ 7,375,000	\$ 3,850,270	\$ 7,630,000	\$ 3,623,836	\$ 100,326,610	\$ 28,926,746	\$ 136,156,610	\$ 49,201,188
2,900,000	1,138,162	3,045,000	1,003,137	3,200,000	863,033	18,655,000	3,212,970	33,255,000	8,852,264
<b>\$ 10,065,000</b>	<b>\$ 5,201,739</b>	<b>\$ 10,420,000</b>	<b>\$ 4,853,407</b>	<b>\$ 10,830,000</b>	<b>\$ 4,486,869</b>	<b>\$ 118,981,610</b>	<b>\$ 32,139,716</b>	<b>\$ 169,411,610</b>	<b>\$ 58,053,452</b>

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

---

**Federal Awards  
Supplemental Information  
December 31, 2010**

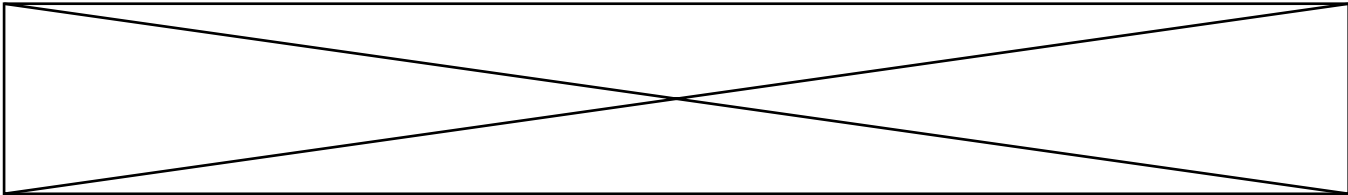


# **Genesee County Drain Commissioner Division of Water and Waste Services**

---

## **Contents**

Independent Auditor's Report	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements Applicable to the Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6
Note to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-9



Independent Auditor's Report

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

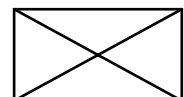
We have audited the financial statements of the Enterprise Fund, Internal Service Fund, and business-type activities of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") as of and for the year ended December 31, 2010, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated May 18, 2011. These basic financial statements are the responsibility of the Division's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

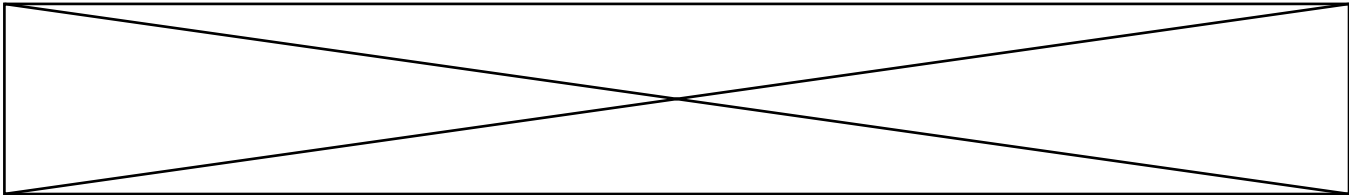
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements. 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*

May 18, 2011





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

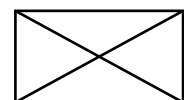
We have audited the financial statements of the Enterprise Fund, Internal Service Fund, and business-type activities of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") as of and for the year ended December 31, 2010, which collectively comprise the Division's basic financial statements, and have issued our report thereon dated May 18, 2011. We have 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 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 opinions 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

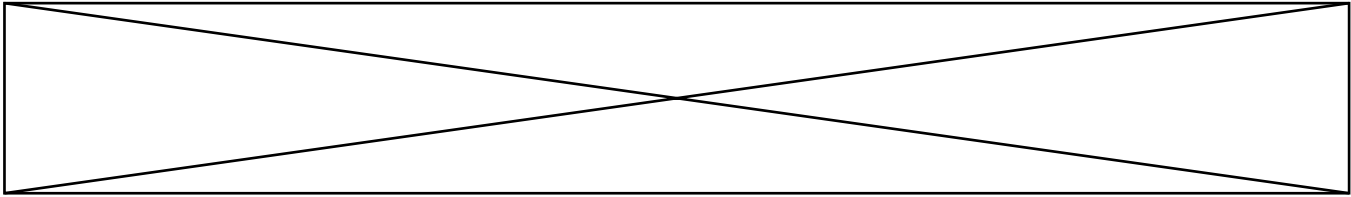
### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

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

*Plante & Moran, PLLC*

May 18, 2011



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

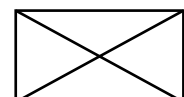
Mr. Jeff Wright, Drain Commissioner  
Genesee County Drain Commissioner  
Division of Water and Waste Services

**Compliance**

We have audited the compliance of Genesee County Drain Commissioner Division of Water and Waste Services (the "Division") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal program for the year ended December 31, 2010. The major federal program of 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 Genesee County Drain Commissioner Division of Water and Waste Services' management. Our responsibility is to express an opinion on 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 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 Genesee County Drain Commissioner Division of Water and Waste Services' compliance with those requirements.

In our opinion, Genesee County Drain Commissioner Division of Water and Waste Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2010.



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

### **Internal Control Over Compliance**

The management of Genesee County Drain Commissioner Division of Water and Waste Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Genesee County Drain Commissioner Division of Water and Waste Services' internal control over compliance with 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Division's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

*Plante & Moran, PLLC*

May 18, 2011

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

**Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2010**

Federal Agency/Pass-through Agency/ Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
U.S. Environmental Protection Agency - Passed through the Michigan Department of Environmental Quality - ARRA - Capitalization Grants for Clean Water State Revolving Fund:				
Project 5399-01	66.458	5399-01	\$ 24,240,000	\$ 9,696,000
Project 5428-01	66.458	5428-01	1,505,000	<u>416,000</u>
Total federal awards				<u><b>\$10,112,000</b></u>

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

---

## **Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010**

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

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Genesee County Drain Commissioner Division of Water and Waste Services under programs of the federal government for the year ended December 31, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the entity's basic financial statements.

Because the Schedule presents only a selected portion of the operations of Genesee County Drain Commissioner Division of Water and Waste Services, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Genesee County Drain Commissioner Division of Water and Waste Services.



# Genesee County Drain Commissioner Division of Water and Waste Services

## Schedule of Findings and Questioned Costs Year Ended December 31, 2010

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

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: 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	ARRA - Clean Water State Revolving Fund - Projects 5399-01 and 5428-01

Dollar threshold used to distinguish between type A and type B programs: \$303,360

Auditee qualified as low-risk auditee?  Yes  No

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

---

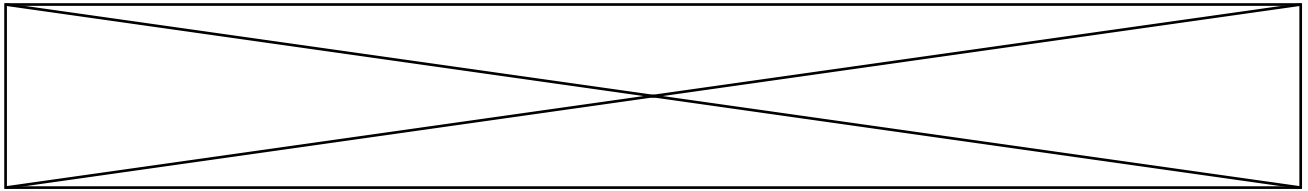
**Schedule of Findings and Questioned Costs (Continued)  
Year Ended December 31, 2010**

**Section II - Financial Statement Audit Findings**

None

**Section III - Federal Program Audit Findings**

None



May 18, 2011

Mr. Jeff Wright  
Genesee County Drain Commissioner  
Division of Water and Waste Services  
G-4608 Beecher Road  
Flint, Michigan 48532

We have audited the financial statements of the Enterprise Fund and Internal Service Fund of the Genesee County Drain Commissioner Division of Water and Waste Services (a component unit of Genesee County, Michigan) (the "Division") for the year ended December 31, 2010 and have issued our report thereon dated May 18, 2011.

The current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to Mr. Jeff Wright, Genesee County Drain Commissioner, Division of Water and Sewer Services.

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

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

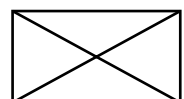
We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

**Plante & Moran, PLLC**

Leslie J. Pulver

Kari L. Shea



## **Communications Required Under SAS 114**

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

As stated in our engagement letter dated March 10, 2010, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

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

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

Our audit of the Division's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we 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 have communicated those conditions in a separate letter dated May 18, 2011 regarding our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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 meeting about planning matters on April 11, 2011.

### **Significant Audit Findings**

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

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

No new accounting policies were adopted and the application of existing policies was not changed during 2010.

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 and the postemployment benefit liability calculation.

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.

Management's estimate of the postemployment benefit liability is based on certain assumptions made by the actuary. We evaluated the key factors and assumptions used to calculate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

May 18, 2011

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

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

***Corrected and Uncorrected Misstatements***

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

There were no entries identified during the audit.

***Disagreements with Management***

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

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated May 18, 2011.

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

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