
Genesee County Drain Commissioner
Division of Water and Waste Services

(a component unit of Genesee County, Michigan)

Financial Report
with Supplemental Information
December 31, 2020

Genesee County Drain Commissioner

Division of Water and Waste Services

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund, business-type activities, discretely presented component unit, and aggregate remaining fund information of Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County, Michigan (the "Division"), as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, business-type activities, discretely presented component unit, and aggregate remaining fund information of Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2020 and the respective changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplemental Information

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

Other Information

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

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Genesee County Drain Commissioner Division of Water and Waste Services' December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2020. In our opinion, the summarized comparative information presented in the other supplemental information as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

June 8, 2021

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

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

Primary Objectives and Oversight

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

Responsibilities

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

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

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

Management's Discussion and Analysis (Continued)

The Operation and Maintenance Department - The Operation and Maintenance Department (O&M) has two primary functions: sanitary sewer collection and transportation, and water transmission and distribution. It also performs contracted operations and maintenance for certain local communities. As part of ensuring that these primary functions are met, O&M routinely performs the following tasks:

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

Sewage Treatment Facilities - The core function of each sewage treatment facility is to effectively and efficiently treat sewage in compliance with regulations established by their NPDES (National Pollutant Discharge Elimination System) permit. Each facility strives to maintain good working relationships with customers and elected officials of their districts to achieve the goals of accountability, transparency, and credibility. Essential activities to accomplish these goals include the following:

- Efficient facility operation and maintenance
- Analytical support to ensure compliance with discharge limits and industrial pretreatment regulations
- Ongoing training for employees in plant operation, maintenance, safety, and regulatory compliance
- Robust residuals management
- Addition of various treatment chemicals and/or use of other treatment alternatives
- Planning for plant improvements, equipment replacement, and upgrades
- Emergency response planning
- Storage lagoon operation and maintenance
- Adherence to discharge limitations via continual monitoring
- Pollutant minimization
- Operation of an Industrial Pretreatment Program (IPP)

Management's Discussion and Analysis (Continued)

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

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

The Division also manages two programs that impact its treatment facilities:

- **Biosolids Disposal** - Each treatment plant is responsible for disposing wastewater treatment plant biosolids in a manner that is considered beneficial reuse, in particular, biosolids application on farmland. ARTP accomplished this goal in 2020 by applying 5,390 dry tons of stabilized biosolids on approximately 2,200 acres of approved fields. In 2020, District No. 3 applied 1,500 dry tons of stabilized biosolids on approximately 890 acres of approved fields.
- **Industrial Pretreatment Program** - The Division regulates and monitors industrial and nondomestic dischargers to the wastewater system. The Division reviews applications, issues discharge permits, verifies compliance, calculates fees and surcharge bills for the customers, and enforces regulations through discharge permits, which protect the wastewater treatment facilities and the environment. An arsenic program for drinking water systems was implemented to ensure compliance with MDEQ regulations. The ordinance also allows for best management practices (BMP) in regulating silver and mercury from over 450 physician and dental offices and grease and oil from approximately 1,100 restaurants. Inter-jurisdictional agreements and the sewer use ordinance have been distributed to the municipalities that discharge into the Division's systems, and the local unit of government approval process is ongoing. At this time, there are 14 significant industrial facilities, and four categorical users that pay surcharges for the cost of treating various substances they discharge to the Division.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

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

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

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

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

Rate Structure

During 2020, the Division maintained water rates at prior year levels. Previously approved sewer rate increases for Districts 3 and 7 took effect in January 2014, while the last ARTP sewer rate increase took effect in July 2014.

Karegnondi Water Authority

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

Using this Annual Report

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Condensed Financial Information

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

	December 31			
	2020	2019	Increase (Decrease)	Percent Change
Assets				
Current assets	\$ 32,388,334	\$ 31,397,532	\$ 990,802	3.2 %
Restricted assets	25,666,733	9,855,367	15,811,366	160.4
Noncurrent lease receivable and local unit construction in progress	36,865,820	37,962,220	(1,096,400)	(2.9)
Capital assets	<u>403,817,695</u>	<u>410,932,524</u>	<u>(7,114,829)</u>	(1.7)
Total assets	498,738,582	490,147,643	8,590,939	1.8
Deferred Outflows of Resources	15,632,131	17,093,756	(1,461,625)	(8.6)
Liabilities				
Current liabilities	5,811,319	8,829,897	(3,018,578)	(34.2)
Liabilities payable from restricted assets	11,812,187	9,689,416	2,122,771	21.9
Other noncurrent liabilities	56,709,675	57,395,175	(685,500)	(1.2)
Long-term debt	<u>244,836,894</u>	<u>240,618,299</u>	<u>4,218,595</u>	1.8
Total liabilities	319,170,075	316,532,787	2,637,288	0.8
Deferred Inflows of Resources	<u>13,639,266</u>	<u>12,866,601</u>	<u>772,665</u>	6.0
Net Position				
Net investment in capital assets	202,293,710	201,246,008	1,047,702	0.5
Restricted	1,754,914	65,951	1,688,963	-
Unrestricted	<u>(22,487,252)</u>	<u>(23,469,948)</u>	<u>982,696</u>	(4.2)
Total net position	<u>\$ 181,561,372</u>	<u>\$ 177,842,011</u>	<u>\$ 3,719,361</u>	2.1

	Year Ended December 31			
	2020	2019	Increase (Decrease)	Percent Change
Revenue from operations	\$ 76,917,052	\$ 74,452,104	\$ 2,464,948	3.3 %
Interest on operating cash and receivables	<u>181,856</u>	<u>341,422</u>	<u>(159,566)</u>	(46.7)
Total revenue	77,098,908	74,793,526	2,305,382	3.1
Sludge disposal charges	1,937,432	1,664,580	272,852	16.4
Cost of water	17,690,051	18,115,091	(425,040)	(2.3)
Operating and maintenance expense	32,897,333	32,924,652	(27,319)	(0.1)
Administrative and depreciation expense	<u>14,687,202</u>	<u>14,998,172</u>	<u>(310,970)</u>	(2.1)
Total operating expenses	67,212,018	67,702,495	(490,477)	(0.7)
Other nonoperating expense	<u>(6,204,854)</u>	<u>(6,487,691)</u>	<u>282,837</u>	(4.4)
Change in net position - Before capital contributions	3,682,036	603,340	3,078,696	510.3
Capital contributions	37,325	1,185,384	(1,148,059)	
Change in net position	3,719,361	1,788,724	1,930,637	107.9
Net Position - Beginning of year	<u>177,842,011</u>	<u>176,053,287</u>	<u>1,788,724</u>	1.0
Net Position - End of year	<u>\$ 181,561,372</u>	<u>\$ 177,842,011</u>	<u>\$ 3,719,361</u>	2.1

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Major Capital Assets and Debt Activity

The Interceptor and Treatment cost center issued \$13,800,000 in par value bonds for various sewer related projects. These funds (along with additional planned bond sales) are being used to construct and improve sewage transmission and treatment facilities for our primary service area. In total, these sewage related projects could result in approximately \$50,000,000 of asset additions and improvements over the next several years.

The Division pays for this, and other annual debt service, through the operating rates charged to users of the system, restricted County Capital Improvement Fees (CCIF) and lease receivables from other governmental entities. Although CCIF is intended to cover certain outstanding bond issuances, it is not sufficient on an annual basis to cover the debt service, and is therefore subsidized by operating revenue. This underfunding was considered in the initial planning of the CCIF program. CCIF will continue to be collected after retirement of the related bonds to reconstitute the fund in full.

Financial Review

Highlights of significant financial activity during 2020 include:

Statement of Net Position

- Current assets increased approximately \$1M to approximately \$32.4M.
- Current liabilities decreased by approximately \$3M to approximately \$5.8M.
- Combined unrestricted net position decreased slightly to end at approximately a negative \$22.5M. This negative unrestricted net position is primarily attributable to pension and OPEB.

Statement of Revenue, Expenses, and Changes in Net Position

- Overall operating revenue increased by approximately \$2.5M (3.3 percent) in 2020 due to increased water sales, a small increase in sewage disposal charges, plus an increase in cost reimbursements.
- Investment income was down by \$160,000 due to a substantial downward trend in interest rates.
- Operating expenses were down slightly by roughly \$500,000 or 0.7 percent. This was primarily due to the Division's continued decrease in cost of water because of a lower commodity rate from the Karegnondi Water Authority (KWA).
- The Division continued to see an increase in sludge disposal costs due to newer disposal contracts in effect at both the ARTP and District #3 treatment facilities, combined with increases in the amounts of sludge needing disposal.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

- Utility costs were up a modest 2%, partly due to higher water and sewer volumes in 2020 versus 2019.
- Repairs and maintenance expenditures decreased by approximately \$700,000, and general contractual services decreased by \$450,000 vs 2019.
- Yearly depreciation expense was higher by approximately \$150,000 to \$11,674,000 due to completion of various capital projects and expenditures.

The following table shows the trend in Interceptor and Treatment (I&T) sewage treatment revenue compared to total flow volumes for the Division's main ARTP treatment facility:

	Year Ended December 31	
	2020	2019
Total revenue from I&T customers	\$ 25,515,227	\$ 25,283,043
Total flow (thousands of gallons)	10,797,166	11,656,438
Revenue per thousands of gallons treated	\$ 2.36	\$ 2.17

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

	Year Ended December 31	
	2020	2019
Total revenue from water sales	\$ 40,671,353	\$ 39,851,813
Volume of water purchased (cu. ft.) by Division	558,036,072	590,375,380
Volume of water sold (cu. ft.) by Division	565,419,249	514,355,872
Water efficiency rate	101%	87%
Revenue per 100 cu. ft. of water sold	\$ 7.19	\$ 7.75

Covid-19 Observations

The Division has taken considerable steps to safeguard its facilities, employees, and customer facing operations. The Division has maintained full on-premise staffing while limiting direct customer contact. There have been no interruptions to either water distribution or sewer collection and treatment operations.

Contacting the Division's Management

This financial report is intended to provide our constituents, sewer/water users, and bondholders with a general overview of Genesee County Drain Commissioner Division of Water and Waste Services' accountability for the money it receives. These financial statements are included as a component unit of Genesee County and should be viewed as part of the government-wide financial statements. If there are questions about this report or if additional information is needed, we welcome anyone to contact the Drain Commissioner or the director of the Division.

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Position

December 31, 2020

	Primary Government Enterprise Fund	Component Unit - September 30, 2020 Karegnondi Water Authority
Assets		
Current assets:		
Cash and investments (Note 2)	\$ 14,588,013	\$ 10,178,005
Receivables:		
Receivables from sales to customers on account	14,994,006	-
Accrued interest receivable	-	47,924
Due from other governments	259,522	208,449
Current portion of leases receivable (Note 9)	1,110,000	-
Prepaid expenses and other assets	1,436,793	9,970
Total current assets	32,388,334	10,444,348
Noncurrent assets:		
Restricted assets (Notes 1 and 3)	25,666,733	36,347,131
Leases receivable - Net of current portion (Note 9)	31,593,572	-
Due from other governmental units	5,258,648	-
Local unit construction in progress	13,600	-
Capital assets: (Note 4)		
Assets not subject to depreciation	7,439,442	-
Assets subject to depreciation - Net	396,378,253	316,224,761
Total noncurrent assets	466,350,248	352,571,892
Total assets	498,738,582	363,016,240
Deferred Outflows of Resources		
Bond refunding loss being amortized	189,940	-
Deferred outflows related to pensions (Note 6)	11,828,795	-
Deferred OPEB costs (Note 7)	3,613,396	-
Total deferred outflows of resources	15,632,131	-
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	3,472,220	97,272
Current portion of long-term debt (Note 5)	2,339,099	-
Total current liabilities	5,811,319	97,272
Noncurrent liabilities:		
Payable from restricted assets	11,812,187	13,764,749
Lease interest payable	-	5,258,648
Net pension liability (Note 6)	24,125,368	-
Net OPEB liability (Note 7)	32,584,307	-
Long-term debt - Net of current portion (Note 5)	244,836,894	311,794,226
Total noncurrent liabilities	313,358,756	330,817,623
Total liabilities	319,170,075	330,914,895
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 6)	10,085,865	-
Deferred OPEB cost reductions (Note 7)	3,553,401	-
Total deferred inflows of resources	13,639,266	-
Net Position		
Net investment in capital assets	202,293,710	17,274,401
Restricted for debt service	1,754,914	9,738,516
Unrestricted	(22,487,252)	5,088,428
Total net position	\$ 181,561,372	\$ 32,101,345

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2020

	Primary Government	Component Unit - Year Ended September 30, 2020
	Enterprise Fund	Karegnondi Water Authority
Operating Revenue		
Sale of water	\$ 40,671,353	\$ 2,242,678
Sewage disposal charges	31,271,281	-
Billing services	143,743	-
Water meter sales	193,962	-
Sewer and pumping station - Operation and maintenance	1,461,552	-
Other operating revenue	3,175,161	-
Total operating revenue	76,917,052	2,242,678
Operating Expenses		
Cost of water	17,690,051	-
Sludge disposal service	1,937,432	-
Cost of insurance claims and expenses	821,766	26,744
Repairs and maintenance	2,903,341	180,809
Other supplies and expenses	2,360,135	55,899
Contractual services	2,191,456	382,901
Utilities	4,220,201	653,337
Personnel services	23,413,656	-
Depreciation	11,673,980	5,547,802
Total operating expenses	67,212,018	6,847,492
Operating Income (Loss)	9,705,034	(4,604,814)
Nonoperating Revenue (Expense)		
Investment income - Net	181,856	742,031
Gain on sale of assets	65,565	-
Community bond interest income	1,581,652	-
Community bond interest expense	(1,581,652)	-
Capacity/Debt service fee	-	22,173,176
Miscellaneous income	1,427,279	-
Interest and fiscal charges	(7,697,698)	(14,683,061)
Total nonoperating (expense) revenue	(6,022,998)	8,232,146
Income - Before capital contributions	3,682,036	3,627,332
Capital Contributions	37,325	-
Change in Net Position	3,719,361	3,627,332
Net Position - Beginning of year	177,842,011	28,474,013
Net Position - End of year	<u><u>\$ 181,561,372</u></u>	<u><u>\$ 32,101,345</u></u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows

Year Ended December 31, 2020

	Primary Government	Component Unit - Year Ended September 30, 2020 Karegnondi Water Authority
	Enterprise Fund	
Cash Flows from Operating Activities		
Receipts from customers	\$ 75,576,144	\$ 2,284,158
Payments to suppliers and others for goods and services	(34,077,493)	(1,323,872)
Payments for salaries and employee benefits	(22,410,153)	-
Net cash and cash equivalents provided by operating activities	19,088,498	960,286
Cash Flows from Capital and Related Financing Activities		
Other debt financing activities	(283,877)	-
Collection of lease receivable from communities	90,000	-
Collection of interest from communities	36,152	-
Principal and interest paid on community debt	(126,152)	-
Collection of lease receivable from KWA	975,000	-
Collection of interest from KWA	1,554,188	-
Principal paid on bond maturities	(10,416,400)	(6,605,000)
Interest paid on bonds	(9,497,905)	(15,438,399)
Proceeds from issuance of debt	15,838,404	-
Proceeds from sale of capital assets	65,565	-
Purchase of capital assets	(4,100,664)	(604,627)
Miscellaneous revenue	1,399,198	-
Capacity/Debt service fee	-	22,173,176
Net cash and cash equivalents used in capital and related financing activities	(4,466,491)	(474,850)
Cash Flows Provided by Investing Activities - Investment income	231,691	855,371
Net Increase in Cash and Cash Equivalents	14,853,698	1,340,807
Cash and Cash Equivalents - Beginning of year	25,401,048	45,184,329
Cash and Cash Equivalents - End of year	\$ 40,254,746	\$ 46,525,136
Classification of Cash and Cash Equivalents		
Cash and investments	\$ 14,588,013	\$ 10,178,005
Restricted cash	25,666,733	36,347,131
Total cash and cash equivalents	\$ 40,254,746	\$ 46,525,136
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities		
Operating income (loss)	\$ 9,705,034	\$ (4,604,814)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	11,673,980	5,547,802
Changes in assets and liabilities:		
Receivables	(1,312,154)	-
Due from other governmental units	-	41,480
Local communities construction in progress	(13,600)	-
Prepaid and other assets	(593,782)	(9,970)
Net pension and OPEB liability	1,527,887	-
Accounts payable and accrued expense	(1,898,867)	(14,212)
Total adjustments	9,383,464	5,565,100
Net cash and cash equivalents provided by operating activities	\$ 19,088,498	\$ 960,286
Significant Noncash Transactions - Capital contributions	\$ 37,325	\$ -

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

Statement of Fiduciary Net Position

December 31, 2020

	OPEB Fiduciary Trust
	<hr/>
Assets - Interest in pooled investments	\$ 25,425,381
Net Position	
Restricted:	
Postemployment benefits other than pension	<hr/> 25,425,381
Total net position	<u>\$ 25,425,381</u>

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

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2020

	<u>OPEB Fiduciary Trust</u>
Additions	
Investment income	\$ 3,010,226
Contributions	<u>3,103,522</u>
Total additions	6,113,748
Deductions	
Benefit payments	1,303,522
Administrative expenses	<u>38,897</u>
Total deductions	<u>1,342,419</u>
Net Increase in Fiduciary Net Position	4,771,329
Net Position - Beginning of year	<u>20,654,052</u>
Net Position - End of year	<u><u>\$ 25,425,381</u></u>

December 31, 2020

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

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

Reporting Entity

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

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

Included within the reporting entity are the following:

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

Discretely Presented Component Unit

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

Karegnondi Water Authority

The Karegnondi Water Authority (the "Authority" or KWA) was created to construct a water supply line in Lake Huron and transport that water to its treatment facilities east of Genesee County. The Authority's governing body consists of 15 individuals, of which 8 are currently directly or indirectly appointed by the drain commissioner. In addition, these board members may be removed at the discretion of the drain commissioner. The appointment of board members is subject to change in the future, as additional water supply contracts are entered into or capacity units are redistributed. Complete financial reports can be obtained at the Authority's administrative offices at 4610 Beecher Road, Flint, MI 48532. KWA reports its activities on a fiscal year ending September 30. The KWA column included in these financial statements, therefore, is as of and for the year ended September 30, 2020.

December 31, 2020

Note 1 - Significant Accounting Policies (Continued)

OPEB Fiduciary Trust

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

Report Presentation

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

Fund Accounting

Proprietary Funds

The Division reports the following major proprietary fund:

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

Fiduciary Funds

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

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

Basis of Accounting

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

Specific Balances and Transactions

Cash and Cash Equivalents

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

Investments

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

Receivables and Payables

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

Prepaid Items

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

December 31, 2020

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

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

Leases Receivable

Leases receivable consist of amounts due to the Division from various municipalities and the component unit, Karegnondi Water Authority, for construction activity. The Division constructs assets for various municipalities under Act 342. Under this act, the County issues bonds and constructs assets on behalf of municipalities. These assets are then leased by the municipalities over the lives of the bonds. Lease payments approximate the debt service requirements of the associated bonds. At December 31, 2020, leases receivable include \$31,325,000 from the Karegnondi Water Authority and \$1,378,572 from other municipalities. See Note 9 for amounts receivable from Karegnondi Water Authority.

Capital Assets

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

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

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

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

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.

December 31, 2020

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

Bond premiums and discounts are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Liabilities Payable from Restricted Assets

The Division uses the restricted assets to liquidate construction-related payables and current interest and principal payable on outstanding bonds. Therefore, these amounts due have been reported as a noncurrent liability.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until then.

The Division reports deferred outflows related to pension and OPEB costs (see Notes 6 and 7 for detail), as well as deferred charges related to advance refundings of bond issues.

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

The Division reports deferred inflows related to pensions and OPEB (see Notes 6 and 7 for detail) that will reduce future year pension expense.

Net Position

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

Net Position Flow Assumption

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

December 31, 2020

Note 1 - Significant Accounting Policies (Continued)

Pension

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

Other Postemployment Benefit Costs

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

Compensated Absences (Vacation and Personal Leave)

It is the Division's policy to permit employees to accumulate earned but unused vacation and personal pay benefits. Personal pay is accrued for the estimated amount that the Division will pay upon retirement or separation. A total of 80 hours of personal leave is granted at the beginning of each year. Nonunion employees are paid up to 112 hours at current salary upon retirement or separation. Union employees are paid up to 112 hours at current salary upon retirement only. Vacation pay is accrued when incurred. Vacation time is granted twice a year based on the length of service, and the unpaid accumulated balance is paid upon retirement or separation at the current salary. Both of these are reported in proprietary fund financial statements. Generally, the funds that report each employee's compensation are used to liquidate the obligations. At December 31, 2020, the Division has recorded a liability of approximately \$636,000 for accumulated vacation and personal leave.

Proprietary Funds Operating Classification

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

December 31, 2020

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Division is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were effective for the Division's financial statements for the year ended December 31, 2020 but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the Division's financial statements for the December 31, 2021 fiscal year but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance*.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intraentity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Division does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or another employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The Division is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the Division's financial statements for the year ending December 31, 2022.

December 31, 2020

Note 2 - Deposits and Investments

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

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Division's deposits may not be returned to it. The Division does not have a deposit policy for custodial credit risk. At year end, the Division had \$24,694,044 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Bank deposits of \$16,330,431 were insured, and \$0 was collateralized. The Division believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Division evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

For the year ended September 30, 2020, Karegnondi Water Authority had \$6,211,988 (checking and savings accounts) that was not fully insured or collateralized.

Fair Value Measurements

The Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The Division's investment in the MERS Total Market Portfolio (\$25,425,381) is valued at net asset value. At December 31, 2020, there were no unfunded commitments or redemption restrictions.

Genesee County Drain Commissioner
Division of Water and Waste Services

Notes to Financial Statements

December 31, 2020

Note 2 - Deposits and Investments (Continued)

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

Note 3 - Restricted Assets

At December 31, 2020, restricted assets are composed of the following:

Description	Enterprise Fund	Component Unit - KWA
Unspent bond proceeds and related interest	\$ 12,401,579	\$ 381,754
Unspent bond proceeds held by the County	100,000	200,000
General obligation bond restrictions:		
Debt reserve/redemption	13,165,154	20,834,357
Capacity/Debt service fee for debt service	-	14,931,020
Total	<u>\$ 25,666,733</u>	<u>\$ 36,347,131</u>

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

Net position has been restricted for \$1,754,914 and \$9,738,516 for the Division and KWA, respectively, related to the restricted assets held for debt service, net of the related payable.

Genesee County Drain Commissioner
Division of Water and Waste Services

Notes to Financial Statements

December 31, 2020

Note 4 - Capital Assets

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

Proprietary Funds

	Balance January 1, 2020	Reclassifications	Additions	Disposals and Adjustments	Balance December 31, 2020
Enterprise Fund					
Capital assets not being depreciated:					
Land	\$ 2,350,523	\$ 297,342	\$ 234,784	\$ (9,997)	\$ 2,872,652
Construction in progress	3,762,482	(3,004,180)	3,808,488	-	4,566,790
Subtotal	6,113,005	(2,706,838)	4,043,272	(9,997)	7,439,442
Capital assets being depreciated:					
Distribution and collections system	501,985,999	50,739	-	(529,320)	501,507,418
Buildings and equipment	25,146,983	2,656,099	49,925	(38,380)	27,814,627
Vehicles	2,454,339	-	475,951	(40,968)	2,889,322
Subtotal	529,587,321	2,706,838	525,876	(608,668)	532,211,367
Accumulated depreciation:					
Distribution and collections system	113,452,653	-	10,085,443	(529,320)	123,008,776
Buildings and equipment	9,799,039	-	1,297,445	(38,380)	11,058,104
Vehicles	1,516,110	-	291,092	(40,968)	1,766,234
Subtotal	124,767,802	-	11,673,980	(608,668)	135,833,114
Net capital assets being depreciated	404,819,519	2,706,838	(11,148,104)	-	396,378,253
Net Enterprise Fund capital assets	\$ 410,932,524	\$ -	\$ (7,104,832)	\$ (9,997)	\$ 403,817,695

Capital asset activity for the Division's component unit, KWA, for the year ended September 30, 2020 was as follows:

Component Unit

	Balance October 1, 2019	Reclassifications	Additions	Disposals and Adjustments	Balance September 30, 2020
Capital assets being depreciated -					
Water pipeline	\$ 332,299,280	\$ -	\$ 540,220	\$ -	\$ 332,839,500
Accumulated depreciation	11,066,937	-	5,547,802	-	16,614,739
Net capital assets	\$ 321,232,343	\$ -	\$ (5,007,582)	\$ -	\$ 316,224,761

Construction Commitments

The Division has active construction projects at year end, which include improvements and extensions to the water and sewage disposal systems. The most significant project is related to the sewer system construction. The Division has spent \$6,012,771 to date and has \$5,736,762 remaining on outstanding contracts.

Genesee County Drain Commissioner
Division of Water and Waste Services

Notes to Financial Statements

December 31, 2020

Note 4 - Capital Assets (Continued)

The component unit, KWA, had no significant construction commitments at September 30, 2020.

Note 5 - Long-term Debt

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

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:					
Interceptor and Treatment Revenue Bond, Series 2005A	\$ 8,580,000	\$ -	\$ (1,170,000)	\$ 7,410,000	\$ 1,185,000
Interceptor and Treatment Revenue Bond, Series 2005B	6,005,000	-	(815,000)	5,190,000	830,000
Interceptor and Treatment Revenue Bond, Series 2006A	1,240,000	-	(145,000)	1,095,000	150,000
Interceptor and Treatment Revenue Bond, Series 2006B	3,380,000	-	(400,000)	2,980,000	405,000
Interceptor and Treatment Revenue Bond, Series 2006C	1,905,000	-	(225,000)	1,680,000	230,000
Interceptor and Treatment Revenue Bond, Series 2007	5,145,000	-	(535,000)	4,610,000	545,000
Interceptor and Treatment Revenue Bond, Refunding Series 2017	14,085,000	-	(1,310,000)	12,775,000	1,360,000
Interceptor and Treatment Revenue Bond, Series 2010A	8,491,023	-	(675,000)	7,816,023	710,000
Interceptor and Treatment Revenue Bond, Series 2011A	955,000	-	(70,000)	885,000	70,000
Interceptor and Treatment Revenue Bond, Series 2020A	-	13,800,000	-	13,800,000	275,000
Interceptor and Treatment Revenue Bond, Series 2020A Bond premium	-	1,927,216	-	1,927,216	-
Sewage Disposal Revenue Bond, Series 2010A	665,000	-	(55,000)	610,000	55,000
Sewage Disposal Revenue Bond, Refunding Series 2017	3,215,000	-	(360,000)	2,855,000	375,000
Water Supply System Revenue Bond, Series 2016A	4,723,354	-	(225,000)	4,498,354	195,000

Genesee County Drain Commissioner
Division of Water and Waste Services

Notes to Financial Statements

December 31, 2020

Note 5 - Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Water Supply System Revenue Bond, Series 2017A	\$ 9,710,000	\$ -	\$ (435,000)	\$ 9,275,000	\$ 440,000
Water Supply System Revenue Bond, Series 2011	609,265	-	(45,000)	564,265	45,000
Water Supply System Revenue Bond, Series 2011 Bond premium	14,620	-	(1,218)	13,402	-
Water Supply System Revenue Bond, Series 2015	859,307	-	(45,000)	814,307	45,000
Total direct borrowings and direct placements principal outstanding	69,582,569	15,727,216	(6,511,218)	78,798,567	6,915,000
Other debt:					
Interceptor and Treatment Revenue Bond, Series 2011B	3,950,000	-	(270,000)	3,680,000	270,000
Water Supply System Revenue Bond, Series 2013	29,975,000	-	(975,000)	29,000,000	1,020,000
Water Supply System Revenue Bond, Series 2013 Bond premium	480,365	-	(25,282)	455,083	-
Water Supply System Revenue Bond, Series 2014	23,785,000	-	(1,475,000)	22,310,000	1,560,000
Water Supply System Revenue Bond, Series 2014 Bond premium	1,153,951	-	(76,930)	1,077,021	-
Water Supply System Limited Tax Bond, Series 2015	58,770,000	-	(670,000)	58,100,000	705,000
Water Supply System Limited Tax Bond, Series 2015 Bond premium	2,047,386	-	(78,746)	1,968,640	-
Water Supply System Limited Tax Bond, Series 2016	55,550,000	-	(620,000)	54,930,000	640,000
Water Supply System Limited Tax Bond, Series 2016 Bond premium	5,844,028	-	(216,445)	5,627,583	-
Total other debt principal outstanding	181,555,730	-	(4,407,403)	177,148,327	4,195,000
Total business-type activities long-term debt	<u>\$ 251,138,299</u>	<u>\$ 15,727,216</u>	<u>\$ (10,918,621)</u>	<u>\$ 255,946,894</u>	<u>\$ 11,110,000</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2020

Note 5 - Long-term Debt (Continued)

Component Unit

	Beginning Balance October 1, 2019	Additions	Reductions	Ending Balance September 30, 2020	Due within One Year
Bonds and contracts payable:					
Direct borrowings - Capital lease	\$ 33,235,000	\$ -	\$ (935,000)	\$ 32,300,000	\$ 975,000
Other debt - Bond:	276,740,000	-	(5,670,000)	271,070,000	5,895,000
Unamortized bond premiums	15,937,502	-	(643,276)	15,294,226	-
Total component unit long-term debt	<u>\$ 325,912,502</u>	<u>\$ -</u>	<u>\$ (7,248,276)</u>	<u>\$ 318,664,226</u>	<u>\$ 6,870,000</u>

A total of \$8,770,901 of the \$11,110,000 due within one year for the Division is included in payable from restricted assets on the statement of net position.

Total interest expense for the Division for the year was \$9,512,354, none of which was capitalized. Total interest expense for KWA for the year was \$15,325,587.

Debt Service Requirements to Maturity

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

Years Ending December 31	Business-type Activities					Component Unit Activities		
	Direct Borrowings and Direct Placements		Other Debt		Total	Other Debt		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2021	\$ 6,915,000	\$ 1,891,099	\$ 4,195,000	\$ 7,640,675	\$ 20,641,774	\$ 5,895,000	\$ 13,611,612	\$ 19,506,612
2022	7,040,000	1,755,805	4,415,000	7,431,600	20,642,405	6,175,000	13,339,862	19,514,862
2023	7,200,000	1,617,318	4,620,000	7,212,250	20,649,568	6,445,000	13,044,362	19,489,362
2024	7,355,000	1,474,007	4,845,000	6,982,116	20,656,123	6,760,000	12,714,237	19,474,237
2025	7,500,000	1,323,821	5,095,000	6,739,963	20,658,784	7,105,000	12,367,613	19,472,613
2026-2030	23,904,023	4,474,317	29,330,000	29,830,703	87,539,043	41,260,000	55,922,444	97,182,444
2031-2035	9,163,572	2,305,309	33,720,000	21,656,350	66,845,231	53,025,000	43,861,013	96,886,013
2036-2040	7,780,354	651,123	36,610,000	14,503,981	59,545,458	68,020,000	28,449,094	96,469,094
2041-2045	-	-	40,820,000	5,780,325	46,600,325	72,185,000	8,994,006	81,179,006
2046-2050	-	-	4,370,000	109,250	4,479,250	4,200,000	105,000	4,305,000
Total	<u>\$ 76,857,949</u>	<u>\$ 15,492,799</u>	<u>\$ 168,020,000</u>	<u>\$ 107,887,213</u>	<u>\$ 368,257,961</u>	<u>\$ 271,070,000</u>	<u>\$ 202,409,243</u>	<u>\$ 473,479,243</u>

Note 6 - Pension Plan

Plan Description

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

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

December 31, 2020

Note 6 - Pension Plan (Continued)

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

Benefits Provided

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

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

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

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Genesee County Employees Retirement Plan
Date of member count	December 31, 2019
Inactive plan members or beneficiaries currently receiving benefits	107
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	157
Total employees covered by the plan	271

December 31, 2020

Note 6 - Pension Plan (Continued)

Contributions

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

For the year ended December 31, 2020, one appointed employee contributed 5 percent, while all others contributed 7 percent of annual pay, and the Division's prescribed actuarial contribution rate was 25.40 percent of annual payroll.

Net Pension Liability

The Division has chosen to use the December 31 measurement date as its measurement date for the net pension liability. The December 31, 2020 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2019 measurement date. The December 31, 2019 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at January 1, 2019	\$ 69,484,751	\$ 44,645,243	\$ 24,839,508
Changes for the year:			
Service cost	1,442,869	-	1,442,869
Interest	5,209,790	-	5,209,790
Differences between expected and actual experience	2,939	-	2,939
Changes in assumptions	4,290,237	-	4,290,237
Contributions - Employer	-	2,836,790	(2,836,790)
Contributions - Employee	-	737,752	(737,752)
Net investment Income	-	8,136,295	(8,136,295)
Benefit payments, including refunds	(3,847,561)	(3,847,561)	-
Administrative expenses	-	(50,862)	50,862
Net changes	7,098,274	7,812,414	(714,140)
Balance at December 31, 2019	<u>\$ 76,583,025</u>	<u>\$ 52,457,657</u>	<u>\$ 24,125,368</u>

The plan's fiduciary net position represents 68.5 percent of the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2020, the Division recognized pension expense of \$3,158,107.

Genesee County Drain Commissioner
Division of Water and Waste Services

Notes to Financial Statements

December 31, 2020

Note 6 - Pension Plan (Continued)

At December 31, 2020, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,765,730	\$ (1,064,452)
Changes in assumptions	6,987,713	(6,466,124)
Net difference between projected and actual earnings on pension plan investments	-	(2,555,289)
Employer contributions to the plan subsequent to the measurement date	3,075,352	-
Total	<u>\$ 11,828,795</u>	<u>\$ (10,085,865)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount
2021	\$ 34,470
2022	(127,200)
2023	(991,707)
2024	(1,033,912)
2025	517,604
Thereafter	268,323

Actuarial Assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using an inflation assumption of 3 percent; assumed salary increases (including inflation) of 3.0 to 7.03 percent, which include across-the-board increases, along with merit and longevity increases that range from 0.17 percent up to 4.03 percent; an investment rate of return (net of administrative and investment expenses) of 7.00 percent; and the RP-2014 with fully generational improvements from 2006 based on assumptions from Scale MP 2019.

Discount Rate

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

Projected Cash Flows

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

December 31, 2020

Note 6 - Pension Plan (Continued)

Investment Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. equities active or passive - Large cap	25.00 %	4.76 %
U.S. equities active or passive - Small/Mid cap	12.00	5.25
Non-U.S. equities	18.00	5.41
Domestic fixed income	22.00	2.01
Real estate	18.00	4.53
Direct lending	3.00	5.47
Cash equivalents	2.00	0.74

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

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

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net pension liability of the Division	\$ 33,351,138	\$ 24,125,368	\$ 16,331,506

Pension Plan Fiduciary Net Position

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

Assumption Changes

For the December 31, 2019 actuarial valuation, there were assumption changes that resulted in an increase in the calculated total pension liability. The assumptions changed during the year related to the discount rate, mortality rates, and investment rate of return; see above for the assumption used.

Note 7 - Other Postemployment Benefit Plan

Plan Description

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

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

Notes to Financial Statements

December 31, 2020

Note 7 - Other Postemployment Benefit Plan (Continued)

Benefits Provided

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

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	OPEB Plan
Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	96
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	152
Total plan members	254

Contributions

The Division establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended December 31, 2020, the Division's contribution was \$3,103,522. Employees are not required to contribute to the Plan.

Net OPEB Liability

The Division has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2020 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2020 measurement date. The December 31, 2020 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

Changes in the net OPEB liability during the measurement year were as follows:

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at January 1, 2020	\$ 53,209,719	\$ 20,654,052	\$ 32,555,667
Changes for the year:			
Service cost	2,209,934	-	2,209,934
Interest	3,834,523	-	3,834,523
Differences between expected and actual experience	176,618	-	176,618
Changes in assumptions	(117,584)	-	(117,584)
Contributions - Employer	-	3,103,522	(3,103,522)
Net investment income	-	2,986,550	(2,986,550)
Benefit payments, including refunds	(1,303,522)	(1,303,522)	-
Administrative expenses	-	(15,221)	15,221
Net changes	4,799,969	4,771,329	28,640
Balance at December 31, 2020	\$ 58,009,688	\$ 25,425,381	\$ 32,584,307

The Plan's fiduciary net position represents 43.83 percent of the total OPEB liability.

December 31, 2020

Note 7 - Other Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the Division recognized OPEB expense of \$4,548,653.

At December 31, 2020, the Division reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,376,307	\$ (2,218,059)
Changes in assumptions	2,237,089	(265,287)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,070,055)
Total	<u>\$ 3,613,396</u>	<u>\$ (3,553,401)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending December 31	Amount
2021	\$ (2,775)
2022	(2,775)
2023	(367,344)
2024	31,354
2025	393,101
Thereafter	<u>8,434</u>
Total	<u>\$ 59,995</u>

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.50 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a health care cost trend rate of 8.25 percent for 2020, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent for 2035 and later years; and the PubG-2010 mortality tables with the gender-specific MP-2018 improvement scale. These assumptions were applied to all periods included in the measurement.

Discount Rate

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

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

December 31, 2020

Note 7 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2020 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	6.15 %
Global fixed income	20.00	1.26
Private investments	20.00	6.56

Rates of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.35 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

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

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability of the Plan	\$ 41,658,409	\$ 32,584,307	\$ 25,257,047

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

The following presents the net OPEB liability of the Division, calculated using the health care cost trend rate of 8.25 percent, as well as what the Division's net OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (7.25-3.50%)	Current Health Care Cost Trend Rate (8.25- 4.50%)	1 Percentage Point Increase (9.25-5.50%)
Net OPEB liability of the Plan	\$ 24,788,100	\$ 32,584,307	\$ 42,389,982

December 31, 2020

Note 7 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

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

Assumption Changes

For the December 31, 2020 actuarial valuation, there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The assumptions changed during the year related to the mortality table and health care cost trend rate.

Note 8 - Risk Management

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

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

	2020	2019
Unpaid claims - Beginning of year	\$ 761,338	\$ 598,100
Incurred claims, including claims incurred but not reported	3,233,761	3,674,965
Claim payments	(3,324,668)	(3,511,727)
Unpaid claims - End of year	<u>\$ 670,431</u>	<u>\$ 761,338</u>

Note 9 - Related Party Transactions

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

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

December 31, 2020

Note 9 - Related Party Transactions (Continued)

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

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

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

2021	\$	2,525,438
2022		2,529,438
2023		2,525,688
2024		2,529,438
2025 - 2029		12,637,162
2030 - 2034		12,632,663
2035 - 2039		12,639,653
2040 - 2041		<u>5,054,224</u>
Total minimum lease payments		53,073,704
Less amount representing interest		<u>(21,748,704)</u>
Present value	\$	<u><u>31,325,000</u></u>

Note 10 - Subsequent Events

Subsequent to year end, the Division intends to issue new debt for the Interceptor and Treatment Facilities Fund and has been given approval for up to \$50,000,000 of par value in revenue bonds, of which \$13,800,000 was issued in fiscal year 2020. Only a portion of the remaining \$36,200,000 is expected to be issued during fiscal year 2021.

Required Supplemental Information

Genesee County Drain Commissioner
Division of Water and Waste Services

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

Last Six Fiscal Years Ended December 31

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 1,442,869	\$ 1,574,305	\$ 1,663,146	\$ 1,541,981	\$ 879,564	\$ 792,297
Interest	5,209,790	4,697,036	4,270,786	4,014,166	4,017,471	3,903,244
Differences between expected and actual experience	2,939	513,990	2,589,458	(2,164,986)	(50,724)	(1,552,139)
Changes in assumptions	4,290,237	(3,731,291)	(5,212,701)	(2,560,324)	12,131,977	1,720,622
Benefit payments, including refunds	(3,847,561)	(3,782,708)	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	-	-	205,519	-
Net Change in Total Pension Liability	7,098,274	(728,668)	(275,391)	(2,705,689)	13,708,851	1,433,184
Total Pension Liability - Beginning of year	69,484,751	70,213,419	70,488,810	73,194,499	59,485,648	58,052,464
Total Pension Liability - End of year	\$ 76,583,025	\$ 69,484,751	\$ 70,213,419	\$ 70,488,810	\$ 73,194,499	\$ 59,485,648
Plan Fiduciary Net Position						
Contributions - Employer	\$ 2,836,790	\$ 2,023,100	\$ 1,751,177	\$ 1,642,376	\$ 1,608,830	\$ 1,434,116
Contributions - Member	737,752	784,389	613,544	571,224	573,221	491,212
Net investment income (loss)	8,136,295	(986,785)	5,008,597	3,287,118	519,442	2,799,943
Administrative expenses	(50,862)	(48,930)	(61,061)	(39,153)	(46,313)	(45,417)
Benefit payments, including refunds	(3,847,561)	(3,782,708)	(3,586,080)	(3,536,526)	(3,474,956)	(3,430,840)
Other	-	-	-	(7,976)	56,737	-
Net Change in Plan Fiduciary Net Position	7,812,414	(2,010,934)	3,726,177	1,917,063	(763,039)	1,249,014
Plan Fiduciary Net Position - Beginning of year	44,645,243	46,656,177	42,930,000	41,012,937	41,775,976	40,526,962
Plan Fiduciary Net Position - End of year	\$ 52,457,657	\$ 44,645,243	\$ 46,656,177	\$ 42,930,000	\$ 41,012,937	\$ 41,775,976
Division's Net Pension Liability - Ending	\$ 24,125,368	\$ 24,839,508	\$ 23,557,242	\$ 27,558,810	\$ 32,181,562	\$ 17,709,672
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.50 %	64.25 %	66.45 %	60.90 %	56.03 %	70.23 %
Covered Payroll	\$ 10,259,512	\$ 10,288,609	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806
Division's Net Pension Liability as a Percentage of Covered Payroll	235.15 %	241.43 %	242.12 %	312.16 %	391.90 %	223.90 %

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

**Required Supplemental Information
Schedule of Pension Contributions**

	Last Ten Fiscal Years Years Ended December 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 2,604,890	\$ 2,623,595	\$ 1,863,204	\$ 1,430,189	\$ 1,330,325	\$ 1,456,379	\$ 1,491,452	\$ 1,456,416	\$ 1,531,645	\$ 1,763,782
Contributions in relation to the actuarially determined contribution	3,075,352	2,880,810	2,059,753	1,767,501	1,642,376	1,608,830	1,491,452	1,456,416	1,531,645	1,763,782
Contribution Excess	<u>\$ 470,462</u>	<u>\$ 257,215</u>	<u>\$ 196,549</u>	<u>\$ 337,312</u>	<u>\$ 312,051</u>	<u>\$ 152,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,259,512	\$ 10,288,609	\$ 9,729,524	\$ 8,828,330	\$ 8,211,886	\$ 7,910,806	\$ 7,331,367	\$ 7,199,930	\$ 7,050,579	\$ 7,312,770
Contributions as a Percentage of Covered Payroll	29.98 %	28.00 %	21.17 %	20.02 %	20.00 %	20.34 %	20.34 %	20.23 %	21.72 %	24.12 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Division's fiscal year ended December 31, 2020 were determined based on the actuarial valuation as of December 31, 2018. The most recent valuation is as of December 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	25 years, closed
Asset valuation method	4-year smoothed market
Inflation	3.00 percent
Salary increase	3.0-7.03 percent, based on age
Investment rate of return	7.55 percent, net of investment expenses
Retirement age	60
Mortality	RP-2014 with fully generational improvements from 2006
Other information	None

Genesee County Drain Commissioner
Division of Water and Waste Services

Required Supplemental Information

Schedule of Changes in the Net OPEB Liability and Related Ratios

	Last Three Fiscal Years		
	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 2,209,934	\$ 1,842,757	\$ 1,704,537
Interest	3,834,523	3,360,952	3,422,903
Differences between expected and actual experience	176,618	1,769,329	(4,016,485)
Changes in assumptions	(117,584)	3,231,351	(297,879)
Benefit payments, including refunds	(1,303,522)	(1,771,982)	(1,644,402)
Net Change in Total OPEB Liability	4,799,969	8,432,407	(831,326)
Total OPEB Liability - Beginning of year	53,209,719	44,777,312	45,608,638
Total OPEB Liability - End of year	\$ 58,009,688	\$ 53,209,719	\$ 44,777,312
Plan Fiduciary Net Position			
Contributions - Employer	\$ 3,103,522	\$ 3,571,982	\$ 4,081,875
Net investment income (loss)	2,986,550	2,334,545	(625,911)
Benefit payments, including refunds	(1,303,522)	(1,771,982)	(1,644,402)
Administrative expenses	(15,221)	(13,159)	(38,594)
Net Change in Plan Fiduciary Net Position	4,771,329	4,121,386	1,772,968
Plan Fiduciary Net Position - Beginning of year	20,654,052	16,532,666	14,759,698
Plan Fiduciary Net Position - End of year	\$ 25,425,381	\$ 20,654,052	\$ 16,532,666
Net OPEB Liability - Ending	\$ 32,584,307	\$ 32,555,667	\$ 28,244,646
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	43.83 %	38.82 %	36.92 %
Covered-employee Payroll	\$ 10,436,899	\$ 10,568,064	\$ 10,167,151
Net OPEB Liability as a Percentage of Covered-employee Payroll	312.20 %	308.06 %	277.80 %

Genesee County Drain Commissioner
Division of Water and Waste Services

Required Supplemental Information
Schedule of OPEB Contributions

Last Ten Fiscal Years										
Years Ended December 31										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	\$ 3,533,187	\$ 3,042,002	\$ 3,033,990	\$ 2,845,372	\$ 2,715,562	\$ 3,554,246	\$ 2,523,914	\$ 3,818,480	\$ 3,933,831	\$ 2,587,823
Contributions in relation to the actuarially determined contribution	3,103,522	3,571,982	4,081,875	3,260,251	3,087,627	3,006,763	3,742,617	3,202,908	4,023,879	1,418,354
Contribution (Deficiency) Excess	<u>\$ (429,665)</u>	<u>\$ 529,980</u>	<u>\$ 1,047,885</u>	<u>\$ 414,879</u>	<u>\$ 372,065</u>	<u>\$ (547,483)</u>	<u>\$ 1,218,703</u>	<u>\$ (615,572)</u>	<u>\$ 90,048</u>	<u>\$ (1,169,469)</u>
Covered-employee Payroll	\$ 10,436,899	\$ 10,568,064	\$ 10,167,151	\$ 9,397,507	\$ 8,244,365	\$ 8,163,418	\$ 7,092,691	\$ 7,092,691	\$ 7,312,770	\$ 7,610,890
Contributions as a Percentage of Covered-employee Payroll	29.74 %	33.80 %	40.15 %	34.69 %	37.45 %	36.83 %	52.77 %	45.16 %	55.03 %	18.64 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported. Contributions for the Division's fiscal year ended December 31, 2020 were determined based on the actuarial valuation as of December 31, 2019.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Market
Inflation	3.00 percent
Health care cost trend rates	8.50 percent (7.00 for Medicare), graded down 0.25 percent to 4.50 percent
Investment rate of return	7.00 percent, net of plan investment expense
Retirement age	60
Mortality	RP 2014 Mortality Table with MP 2017
Other information	None

Genesee County Drain Commissioner
Division of Water and Waste Services

Required Supplemental Information
Schedule of OPEB Investment Returns

	Last Three Fiscal Years		
	Years Ended December 31		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	13.35 %	13.54 %	(3.64)%

December 31, 2020

Pension Information

Changes in Assumptions

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

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

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

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

OPEB Information

Changes in Assumptions

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

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

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

Other Supplemental Information

Genesee County Drain Commissioner

Division of Water and Waste Services

Other Supplemental Information

Combining Statement of Net Position

Enterprise Fund Divisional Detail

December 31, 2020

(with comparative totals for 2019)

	2020					
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	2019
Assets						
Current assets:						
Cash and cash equivalents	\$ 7,475,711	\$ 2,792,008	\$ 473,557	\$ 3,846,737	\$ 14,588,013	\$ 15,545,681
Receivables:						
Receivables from sales to customers on account	6,708,250	918,984	203,175	7,163,597	14,994,006	13,697,312
Due from other governments	-	-	-	259,522	259,522	289,331
Current portion of leases receivable	-	-	-	1,110,000	1,110,000	1,065,000
Prepaid expenses and other assets	441,696	71,482	16,242	907,373	1,436,793	800,208
Total current assets	14,625,657	3,782,474	692,974	13,287,229	32,388,334	31,397,532
Noncurrent assets:						
Restricted assets	18,685,386	502,335	-	6,479,012	25,666,733	9,855,367
Leases receivable - Net of current portion	-	-	-	31,593,572	31,593,572	32,703,572
Due from other governmental units	-	-	-	5,258,648	5,258,648	5,258,648
Local unit construction in progress	-	-	-	13,600	13,600	-
Capital assets - Net	191,329,197	23,846,745	300,534	188,341,219	403,817,695	410,932,524
Total noncurrent assets	210,014,583	24,349,080	300,534	231,686,051	466,350,248	458,750,111
Total assets	224,640,240	28,131,554	993,508	244,973,280	498,738,582	490,147,643
Deferred Outflows of Resources						
Bond refunding loss being amortized	177,040	4,843	-	8,057	189,940	210,843
Deferred outflows related to pensions	6,147,834	1,296,962	358,601	4,025,398	11,828,795	12,379,932
Deferred OPEB costs	1,803,808	336,768	87,082	1,385,738	3,613,396	4,502,981
Total deferred outflows of resources	8,128,682	1,638,573	445,683	5,419,193	15,632,131	17,093,756
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	1,761,809	286,228	37,656	1,386,527	3,472,220	5,275,706
Current portion of long-term debt	1,229,099	-	-	1,110,000	2,339,099	3,813,222
Total current liabilities	2,990,908	286,228	37,656	2,496,527	5,811,319	9,088,928
Noncurrent liabilities:						
Payable from restricted assets	5,406,111	443,996	-	5,962,080	11,812,187	9,430,385
Net pension liability	12,545,192	2,648,965	726,174	8,205,037	24,125,368	24,839,508
Net OPEB liability	16,266,087	3,036,857	785,281	12,496,082	32,584,307	32,555,667
Long-term debt - Net of current portion	57,831,641	3,035,000	-	183,970,253	244,836,894	240,618,299
Total noncurrent liabilities	92,049,031	9,164,818	1,511,455	210,633,452	313,358,756	307,443,859
Total liabilities	95,039,939	9,451,046	1,549,111	213,129,979	319,170,075	316,532,787
Deferred Inflows of Resources						
Deferred pension cost reductions	5,241,513	1,105,588	306,137	3,432,627	10,085,865	9,840,107
Deferred OPEB cost reductions	1,773,858	331,177	85,636	1,362,730	3,553,401	3,026,494
Total deferred inflows of resources	7,015,371	1,436,765	391,773	4,795,357	13,639,266	12,866,601
Net Position (Deficit)						
Net investment in capital assets	144,573,705	20,816,586	300,534	36,602,885	202,293,710	201,246,008
Restricted - Debt service	1,216,514	58,340	-	480,060	1,754,914	65,951
Unrestricted	(15,076,607)	(1,992,610)	(802,227)	(4,615,808)	(22,487,252)	(23,469,948)
Total net position (deficit)	\$ 130,713,612	\$ 18,882,316	\$ (501,693)	\$ 32,467,137	\$ 181,561,372	\$ 177,842,011

Genesee County Drain Commissioner
Division of Water and Waste Services

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

Year Ended December 31, 2020
(with comparative totals for 2019)

	2020					
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	2019
Operating Revenue						
Sale of water	\$ -	\$ -	\$ -	\$ 40,671,353	\$ 40,671,353	\$ 39,851,813
Sewage disposal charges	25,515,227	4,829,593	926,461	-	31,271,281	31,019,986
Billing services	143,743	-	-	-	143,743	143,250
Water meter sales	-	-	-	193,962	193,962	190,118
Sewer and pumping station - Operation and maintenance	1,461,552	-	-	-	1,461,552	1,307,876
Other operating revenue	1,139,723	571,394	62,095	1,401,949	3,175,161	1,939,061
Total operating revenue	28,260,245	5,400,987	988,556	42,267,264	76,917,052	74,452,104
Operating Expenses						
Cost of water	-	-	-	17,690,051	17,690,051	18,115,091
Sludge disposal service	1,415,728	462,841	408	58,455	1,937,432	1,664,580
Cost of insurance claims and expenses	279,779	76,736	16,800	448,451	821,766	831,526
Repairs and maintenance	1,565,426	445,677	131,161	761,077	2,903,341	3,602,997
Other supplies and expenses	1,191,740	138,205	66,814	963,376	2,360,135	1,987,948
Contractual services	1,265,834	162,615	14,187	748,820	2,191,456	2,646,244
Utilities	2,638,077	430,405	201,923	949,796	4,220,201	4,131,738
Personnel services	12,124,052	2,603,982	682,037	8,003,585	23,413,656	23,201,969
Depreciation	5,883,373	862,790	26,827	4,900,990	11,673,980	11,520,402
Total operating expenses	26,364,009	5,183,251	1,140,157	34,524,601	67,212,018	67,702,495
Operating Income (Loss)	1,896,236	217,736	(151,601)	7,742,663	9,705,034	6,749,609
Nonoperating Revenue (Expense)						
Investment income - Net	113,602	20,346	3,858	44,050	181,856	341,422
Gain on sale of assets	36,500	3,850	2,900	22,315	65,565	22,800
Community bond interest income	-	-	-	1,581,652	1,581,652	1,636,707
Community bond interest expense	-	-	-	(1,581,652)	(1,581,652)	(1,636,707)
Miscellaneous income	660,066	-	-	767,213	1,427,279	1,038,535
Interest and fiscal charges	(1,516,933)	(81,388)	-	(6,099,377)	(7,697,698)	(7,549,026)
Total nonoperating (expense) revenue	(706,765)	(57,192)	6,758	(5,265,799)	(6,022,998)	(6,146,269)
Income (Loss) - Before capital contributions	1,189,471	160,544	(144,843)	2,476,864	3,682,036	603,340
Capital Contributions	37,325	-	-	-	37,325	33,945
Transfers In	-	-	-	-	-	1,151,439
Change in Net Position	1,226,796	160,544	(144,843)	2,476,864	3,719,361	1,788,724
Net Position (Deficit) - Beginning of year	129,486,816	18,721,772	(356,850)	29,990,273	177,842,011	176,053,287
Net Position (Deficit) - End of year	\$ 130,713,612	\$ 18,882,316	\$ (501,693)	\$ 32,467,137	\$ 181,561,372	\$ 177,842,011

Genesee County Drain Commissioner

Division of Water and Waste Services

Other Supplemental Information

Combining Statement of Cash Flows

Enterprise Fund Divisional Detail

Year Ended December 31, 2020
(with comparative totals for 2019)

	2020					2019
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Cash Flows from Operating Activities						
Receipts from customers	\$ 27,568,571	\$ 5,399,153	\$ 1,099,631	\$ 41,508,789	\$ 75,576,144	\$ 74,765,148
Payments to suppliers and others for goods and services	(9,322,849)	(1,820,956)	(421,945)	(22,511,743)	(34,077,493)	(33,074,637)
Payments for salaries and employee benefits	(11,467,584)	(2,313,947)	(628,458)	(8,000,164)	(22,410,153)	(22,279,946)
Net cash and cash equivalents provided by operating activities	6,778,138	1,264,250	49,228	10,996,882	19,088,498	19,410,565
Cash Flows from Capital and Related Financing Activities						
Other debt financing activities	(275,273)	(750)	-	(7,854)	(283,877)	(30,330)
Collection of lease receivable from communities	-	-	-	90,000	90,000	1,310,000
Collection of interest from communities	-	-	-	36,152	36,152	63,196
Principal and interest paid on community debt	-	-	-	(126,152)	(126,152)	(1,373,196)
Collection of lease receivable from KWA	-	-	-	975,000	975,000	935,000
Collection of interest from KWA	-	-	-	1,554,188	1,554,188	1,591,588
Principal paid on bond maturities	(5,615,000)	(415,000)	-	(4,386,400)	(10,416,400)	(10,125,000)
Interest paid on bonds	(1,362,538)	(81,573)	-	(8,053,794)	(9,497,905)	(9,556,712)
Proceeds from issuance of debt	15,823,577	-	-	14,827	15,838,404	-
Proceeds from sale of capital assets	36,500	3,850	2,900	22,315	65,565	22,800
Purchase of capital assets	(3,140,001)	(312,033)	(1,466)	(647,164)	(4,100,664)	(4,236,394)
Miscellaneous revenue	648,319	-	-	750,879	1,399,198	1,039,389
Net cash and cash equivalents provided by (used in) capital and related financing activities	6,115,584	(805,506)	1,434	(9,778,003)	(4,466,491)	(20,359,659)
Cash Flows Provided by Investing Activities - Investment income	137,498	26,640	4,875	62,678	231,691	341,422
Net Increase (Decrease) in Cash and Cash Equivalents	13,031,220	485,384	55,537	1,281,557	14,853,698	(607,672)
Cash and Cash Equivalents - Beginning of year	13,129,877	2,808,959	418,020	9,044,192	25,401,048	26,008,720
Cash and Cash Equivalents - End of year	\$ 26,161,097	\$ 3,294,343	\$ 473,557	\$ 10,325,749	\$ 40,254,746	\$ 25,401,048
Classification of Cash and Cash Equivalents						
Cash and investments	\$ 7,475,711	\$ 2,792,008	\$ 473,557	\$ 3,846,737	\$ 14,588,013	\$ 15,545,681
Restricted cash	18,685,386	502,335	-	6,479,012	25,666,733	9,855,367
Total cash and cash equivalents	\$ 26,161,097	\$ 3,294,343	\$ 473,557	\$ 10,325,749	\$ 40,254,746	\$ 25,401,048

Genesee County Drain Commissioner
Division of Water and Waste Services

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

Year Ended December 31, 2020
(with comparative totals for 2019)

	2020					2019
	Interceptor and Treatment Facilities	Sewage Disposal District No. 3	Sewage Disposal District No. 7	Water Supply Systems	Total	
Reconciliation of Operating Income (Loss) to						
Net Cash from Operating Activities						
Operating income (loss)	\$ 1,896,236	\$ 217,736	\$ (151,601)	\$ 7,742,663	\$ 9,705,034	\$ 6,749,609
Adjustments to reconcile operating income						
(loss) to net cash from operating activities:						
Depreciation	5,883,373	862,790	26,827	4,900,990	11,673,980	11,520,402
Changes in assets and liabilities:						
Receivables	(691,280)	(1,834)	138,970	(758,010)	(1,312,154)	313,044
Local communities construction in						
progress	-	-	-	(13,600)	(13,600)	370,445
Prepaid and other assets	(300,165)	(56,541)	(15,666)	(221,410)	(593,782)	(87,519)
Net pension and OPEB liability	891,886	334,795	68,064	233,142	1,527,887	991,776
Accounts payable and accrued						
expense	(901,912)	(92,696)	(17,366)	(886,893)	(1,898,867)	(447,192)
Total adjustments	4,881,902	1,046,514	200,829	3,254,219	9,383,464	12,660,956
Net cash and cash equivalents	<u>\$ 6,778,138</u>	<u>\$ 1,264,250</u>	<u>\$ 49,228</u>	<u>\$ 10,996,882</u>	<u>\$ 19,088,498</u>	<u>\$ 19,410,565</u>
provided by operating activities						
Significant Noncash Transactions						
Capital contributions	\$ 37,325	\$ -	\$ -	\$ -	\$ 37,325	\$ 33,945
Transfer of assets from Internal Service Fund						
to Enterprise Fund	-	-	-	-	-	1,151,349

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2020	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2020	2021		2022	
					Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
<u>Genesee County Drain Commissioner Bonds</u>								
<u>Payable:</u>								
Series 2005A \$22,180,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Northeast Extension Sewer project. Fully drawn May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with an interest rate of 1.625%	8,580,000	-	(1,170,000)	7,410,000	1,185,000	120,413	1,205,000	101,156
Series 2005B \$15,505,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee for Division project. Fully drawn May 2007. Due in amounts ranging from \$660,000 to \$900,000 through 2026 with an interest rate of 1.625%	6,005,000	-	(815,000)	5,190,000	830,000	77,594	845,000	63,984
Series 2006A \$2,815,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn October 2007. Due in amounts ranging from \$120,000 to \$165,000 through 2027 with an interest rate of 1.625%	1,240,000	-	(145,000)	1,095,000	150,000	17,794	150,000	15,356
Series 2006B \$7,705,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with an interest rate of 1.625%	3,380,000	-	(400,000)	2,980,000	405,000	48,425	410,000	41,844
Series 2006C \$4,335,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with an interest rate of 1.625%	1,905,000	-	(225,000)	1,680,000	230,000	27,300	230,000	23,563
Series 2007 \$10,500,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in December 2010. Due in amounts ranging from \$450,000 to \$610,000 through 2028 with an interest rate of 1.625%	5,145,000	-	(535,000)	4,610,000	545,000	70,484	555,000	61,547
Series 2010A \$14,010,023 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Pump Station #1, ARTP Blower Revamp, and ARTP Clarifiers. Fully drawn May 2013. Due in amounts ranging from \$569,000 to \$861,023 through 2030 with an interest rate of 2.50%	8,491,023	-	(675,000)	7,816,023	710,000	195,401	710,000	177,651

Summary of Bonds Payable Year Ended December 31, 2020

2023		2024		2025		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,225,000	81,575	1,245,000	61,669	1,265,000	41,438	1,285,000	20,881	7,410,000	427,132
860,000	50,131	870,000	36,075	885,000	21,816	900,000	7,313	5,190,000	256,913
155,000	12,919	155,000	10,400	160,000	7,881	325,000	7,962	1,095,000	72,312
420,000	35,181	425,000	28,356	435,000	21,450	885,000	21,612	2,980,000	196,868
235,000	19,825	240,000	16,006	245,000	12,106	500,000	12,188	1,680,000	110,988
560,000	52,488	570,000	43,306	580,000	33,963	1,800,000	44,200	4,610,000	305,988
745,000	159,901	745,000	141,276	785,000	122,651	4,121,023	314,130	7,816,023	1,111,010

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal Outstanding	Issued During the	Retired During	Principal Outstanding	2021		2022	
	January 1, 2020	Year	the Year	December 31, 2020				
					Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
Series 2011A \$1,445,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for ARTP Switchgears. Fully drawn in October 2012. Due in amounts ranging from \$55,000 to \$90,000 through 2031 with an interest rate of 2.50%	955,000	-	(70,000)	885,000	70,000	22,125	75,000	20,375
Series 2011B \$4,825,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for NEES 3E. Due serially and term in amounts ranging from \$180,000 to \$405,000 through 2031 with interest rates from 3.00% to 5.00%	3,950,000	-	(270,000)	3,680,000	270,000	158,725	290,000	147,525
Refunding Series 2017 \$15,890,000 Revenue Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Refunded 2007B, \$8,000,000 and 2009A, \$15,000,000 for the Northeast Extension Sewer Project bonds. Due in amounts ranging from \$545,000 to \$1,575,000 through 2029 with an interest rate of 2.09%	14,085,000	-	(1,310,000)	12,775,000	1,360,000	266,998	1,380,000	238,574
Series 2020A \$13,800,000 Revenue Bonds. Bond proceeds used for acquiring and constructing improvements to the Sewage Disposal System (Interceptors and Treatment Facilities). Due serially in amounts ranging from \$275,000 to \$1,185,000 through 2040 with interest rates from 3.00% to 5.00%		13,800,000		13,800,000	275,000	558,225	305,000	549,525
Total Interceptor and Treatment Facilities bonds payable	53,736,023	13,800,000	(5,615,000)	61,921,023	6,030,000	1,563,484	6,155,000	1,441,100

Summary of Bonds Payable (Continued) Year Ended December 31, 2020

2023		2024		2025		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
75,000	18,500	75,000	16,625	80,000	14,750	510,000	45,625	885,000	138,000
290,000	135,925	295,000	124,041	315,000	111,263	2,220,000	338,028	3,680,000	1,015,507
1,425,000	209,732	1,465,000	179,949	1,475,000	149,331	5,670,000	281,837	12,775,000	1,326,419
290,000	540,600	320,000	531,450	310,000	518,900	12,300,000	4,398,575	13,800,000	7,097,275
6,280,000	1,316,777	6,405,000	1,189,153	6,535,000	1,055,549	30,516,023	5,492,351	61,921,023	12,058,412

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2020	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2020	2021		2022	
					Principal	Interest	Principal	Interest
District No. 3								
<u>Genesee County Drain Commissioner Bonds Payable:</u>								
Series 2010A \$1,089,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for District #3 Digester Phase I. Fully drawn in September 2011. Due in amounts ranging from \$44,000 to \$70,000 through 2030 with an interest rate of 2.50%	665,000	-	(55,000)	610,000	55,000	15,250	55,000	13,875
Refunding Series 2017 \$3,905,000 Revenue Bonds backed by the full faith and credit of the County of Genesee Limited Tax General Obligation. Refunded 2007 for the Treatment Plant Improvement project. Due in amounts ranging from \$335,000 to \$435,000 through 2027 with an interest rate of 2.14%	3,215,000	-	(360,000)	2,855,000	375,000	57,085	385,000	48,953
Total District No. 3 bonds payable	3,880,000	-	(415,000)	3,465,000	430,000	72,335	440,000	62,828

Summary of Bonds Payable (Continued)
Year Ended December 31, 2020

2023		2024		2025		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
55,000	12,500	60,000	11,125	60,000	9,625	325,000	24,875	610,000	87,250
395,000	40,607	410,000	31,993	425,000	23,059	865,000	18,565	2,855,000	220,260
450,000	53,107	470,000	43,118	485,000	32,684	1,190,000	43,440	3,465,000	307,510

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2020	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2020	2021		2022	
					Principal	Interest	Principal	Interest
Water Supply Systems								
<u>Genesee County Drain Commissioner Bonds Payable:</u>								
Series 2013 \$35,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Lake Huron Initiative project. Due serially and term in various amounts ranging from \$670,000 to \$2,400,000 through 2038 with interest rates from 2.00% to 5.375%	29,975,000	-	(975,000)	29,000,000	1,020,000	1,505,438	1,075,000	1,454,438
Series 2014 \$30,285,000 Revenue Refunding Bonds backed by the full faith and credit of the County of Genesee. Due serially in various amounts ranging from \$1,210,000 to \$2,130,000 through 2034 with interest rates from 3.00% to 5.00%	23,785,000	-	(1,475,000)	22,310,000	1,560,000	967,038	1,640,000	889,038
Series 2015 \$60,000,000 Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant. Due serially in amounts ranging from \$605,000 to \$2,490,000 through 2035 with interest rates from 5.00% to 3.625% and in term amounts of \$15,880,000 and \$22,320,000 with interest of 5.25% and 4.00% in 2040 and 2045 respectively	58,770,000	-	(670,000)	58,100,000	705,000	2,556,194	740,000	2,520,069
Series 2016A \$4,943,354 Drinking Water Revolving Fund Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water meter upgrade project. Due in amounts ranging from \$220,000 to \$355,000 through 2038 with an interest rate of 2.50%.	4,723,354		(225,000)	4,498,354	195,000	110,021	200,000	105,084
Series 2016B \$56,895,000 Revenue and Revenue Refunding Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant and refunding Series 2007. Due serially in amounts ranging from \$145,000 to \$2,425,000 through 2036 with interest rates from 5.00% to 3.125% and in term amounts of \$14,825,000 and \$19,515,000 with interest of 4.00% and 5.00% in 2041 and 2046 respectively	55,550,000	-	(620,000)	54,930,000	640,000	2,453,281	670,000	2,420,531
Series 2017A \$10,500,000 Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water transmission main from Henderson Road to Genesee Road (Potter Road Southeast Loop Extension). Due serially in amounts ranging from \$360,000 to \$695,000 through 2037 with interest rates from .90% to 3.65%	9,710,000		(435,000)	9,275,000	440,000	270,083	445,000	262,668
Total Genesee County Drain Commission bonds payable	182,513,354	-	(4,400,000)	178,113,354	4,560,000	7,862,054	4,770,000	7,651,826

Summary of Bonds Payable (Continued) Year Ended December 31, 2020

2023		2024		2025		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
1,125,000	1,400,688	1,185,000	1,344,438	1,240,000	1,285,188	23,355,000	9,499,869	29,000,000	16,490,056
1,735,000	807,038	1,825,000	720,288	1,925,000	629,038	13,625,000	2,182,594	22,310,000	6,195,031
770,000	2,482,319	775,000	2,443,694	775,000	2,404,944	54,335,000	29,253,497	58,100,000	41,660,716
205,000	100,021	210,000	94,834	220,000	89,459	3,468,354	597,661	4,498,354	1,097,080
700,000	2,386,281	765,000	2,349,656	840,000	2,309,531	51,315,000	30,606,622	54,930,000	42,525,903
455,000	253,999	465,000	244,104	475,000	233,054	6,995,000	1,528,663	9,275,000	2,792,569
4,990,000	7,430,345	5,225,000	7,197,013	5,475,000	6,951,213	153,093,354	73,668,905	178,113,354	110,761,355

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2020	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2020	2021		2022	
					Principal	Interest	Principal	Interest
Water Supply Systems								
<u>Community-related Bonds Payable:</u>								
Series 2011 \$933,515 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Fenton Road Watermain - Bristol to Maple. Fully drawn in July 2012. Due in amounts ranging from \$34,250 to \$59,265 through 2031 with an interest rate of 2.50%								
	609,265	-	(45,000)	564,265	45,000	13,544	45,000	12,419
Series 2015 \$1,050,000 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Dalton Subdivision Watermain Replacement. Will be fully drawn in 2017. Due serially in amounts ranging from \$50,000 to \$80,000 through 2035 with an interest rate of 2.50%								
	859,307		(45,000)	814,307	45,000	20,358	45,000	19,233
Total Community-related bonds payable	1,468,572	-	(90,000)	1,378,572	90,000	33,902	90,000	31,652
Total Water Supply Systems bonds payable	183,981,926	-	(4,490,000)	179,491,926	4,650,000	7,895,956	4,860,000	7,683,478
Total Genesee County Drain Commission bonds payable	240,129,377	13,800,000	(10,430,000)	243,499,377	11,020,000	9,497,872	11,365,000	9,155,753
Total Community-related bonds payable	1,468,572	-	(90,000)	1,378,572	90,000	33,902	90,000	31,652
Total - All bonds payable	241,597,949	13,800,000	(10,520,000)	244,877,949	11,110,000	9,531,774	11,455,000	9,187,405

Summary of Bonds Payable (Continued)
Year Ended December 31, 2020

2023		2024		2025		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
50,000	11,232	50,000	9,982	50,000	8,732	324,265	25,087	564,265	80,996
50,000	18,108	50,000	16,858	50,000	15,608	574,307	81,577	814,307	171,740
100,000	29,340	100,000	26,840	100,000	24,340	898,572	106,664	1,378,572	252,736
5,090,000	7,459,685	5,325,000	7,223,852	5,575,000	6,975,552	153,991,926	73,775,569	179,491,926	111,014,092
11,720,000	8,800,228	12,100,000	8,429,284	12,495,000	8,039,445	184,799,377	79,204,695	243,499,377	123,127,276
100,000	29,340	100,000	26,840	100,000	24,340	898,572	106,664	1,378,572	252,736
11,820,000	8,829,568	12,200,000	8,456,123	12,595,000	8,063,784	185,697,949	79,311,359	244,877,949	123,380,013