



Financial Services Audit Committee Communication

Date: December 6, 2021

To: Great Lakes Water Authority Audit Committee

From: Steve Hoover, CPA, Financial Reporting Manager

Re: Authorize completion and filing of Audit and Related Draft Financial Reports
Pertaining to the Fiscal Year Ended June 30, 2021

Background: Annually, the Great Lakes Water Authority (GLWA) prepares an Annual Comprehensive Financial Report (ACFR) and Schedule of Expenditures of Federal Awards (SEFA) in accordance with financial accounting standards and federal guidelines. Baker Tilly US LLP (Baker Tilly) has been engaged to perform the audit of those reports and issue an opinion as to whether the financial statements are fairly stated in accordance with generally accepted accounting standards.

Analysis: Baker Tilly has completed fieldwork for the FY 2021 GLWA audit. The annual financial reports are in final draft form. Consistent with the Articles of Incorporation (excerpt below) GLWA's practice is to present the audit and financial reports to the Board of Directors seeking authorization to proceed with completing the drafts and filing the completed reports with state, federal, regulatory, and other entities.

ARTICLE XII, Section 2 of the GLWA By-laws states the following:

The Board shall obtain an annual audit of the GLWA's financial statements by an independent certified public accountant and report on the audit and auditing procedures in accordance with state law and generally accepted government auditing standards, as well as federal grant compliance audit requirements. The Board shall furnish at least two copies of the annual audit to each Incorporating Municipality. The audited financial statements shall be posted on the GLWA's website. In addition, the audited financial statements shall be filed with the Michigan Department of Treasury upon approval of the GLWA Board.

The following are attached pertaining to the Fiscal Year Ended June 30, 2021 which will be reviewed with the Board of Directors. It should be noted that GLWA received a "clean" audit

opinion and is in a solid financial position as these reports will demonstrate. A draft Board Letter to authorize filing of financial statements is attached.

The following items are attached for your review.

- Attachment 1 – Presentation by Jodi Dobson, Partner, Baker Tilly
- Attachment 2 – One-Pager Series - FY 2021 Audit & Financial Report
- Attachment 3 – Draft Annual Comprehensive Financial Report
- Attachment 4 – Draft Schedule of Expenditures of Federal Awards
- Attachment 5 – Draft Baker Tilly Reporting & Insights from 2021
- Audit Attachment 6 – Draft Management Recommendations Letter

We continue to remain on target for filing with the Michigan Department of Treasury in December 2021 as required. Next steps are as follows:

- December 6, 2021: Audit Committee review and discussion of audit and financial reports
- December 8, 2021: Board Members receive final draft FY 2021 ACFR, SEFA and related Reports with proposed recommendation to file.
- December 10, 2021 (tentative): Issue and file approved statements and reports with required parties

Please note that these lengthy reports are in draft format. Any remaining edits would be grammatical in nature and/or presentation style processing. There is one area that may change which is an annual coordination matter. Debt service coverage is appropriately calculated by adding financial information from GLWA's financial statements and from the Detroit Water and Sewer Department's (DWSD) financial reports. The City of Detroit (including DWSD) is also wrapping up their annual audit and financial reports. Presently the calculation for debt services coverage is from a draft DWSD financial statement as of September 27, 2021. If new or updated information is received from DWSD prior to issuance of GLWA's final report, the debt service coverage will be updated. The Board will be informed if there are any changes and will receive final (not draft) reports on or after December 10, 2021 for GLWA.

Proposed Action: The Audit Committee recommends the GLWA Board of Directors receive and file the reports presented with this communication pertaining to the fiscal year ended June 30, 2021 and authorize staff to proceed with the completion and filing of the final, audited Annual Comprehensive Financial Report and Schedule of Expenditures of Federal Awards before the due dates required for state, federal, and other purposes.

Attachment 1

Presentation by Jodi Dobson, Partner, Baker Tilly

Great Lakes Water Authority
Audit Committee
Draft Report on Fiscal Year 2021
Financial and Single Audit

Presented by:

Jodi Dobson, CPA, Partner
Baker Tilly US, LLP

December 6, 2021



The information provided here is of a general nature and is not intended to address the specific circumstances of any individual or entity. In specific circumstances, the services of a professional should be sought. Tax information, if any, contained in this communication was not intended or written to be used by any person for the purpose of avoiding penalties, nor should such information be construed as an opinion upon which any person may rely. The intended recipients of this communication and any attachments are not subject to any limitation on the disclosure of the tax treatment or tax structure of any transaction or matter that is the subject of this communication and any attachments. Baker Tilly Virchow Krause, LLP trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. © 2018 Baker Tilly Virchow Krause, LLP





Audit presentation topics

- > Audit overview
- > Auditor Communication with Those Charged with Governance
- > Internal control communication
- > Questions

Audit overview

- > Audit was conducted smoothly with no major snags or difficulties.
- > Management and staff were cooperative and readily available.
- > Audit schedule was maintained and communication between management and auditors was good.
- > Remote fieldwork began October 4th and concluded October 22nd.
- > ACFR preparation and review through November.
- > No audit adjusting journal entries were noted.
- > No single audit findings noted.

Audit overview

- > Audit performed in accordance with Generally Accepted Auditing Standards and Government Auditing Standards.
- > Audit is based on assessment of control risk in key business process areas. Below are several key areas of review:

- Cash and investments
- Revenues and receivables
- General disbursements
- Payroll
- Pension liabilities
- Long-term debt
- Intangible asset and related obligation

- Assets under construction and plant in service
- Leased assets
- Net position calculations
- Analytical review of statement of net position and statement of revenues, expenses and changes in net position



Audit overview

- > Audit objective – obtain reasonable assurance that financial statements are free from material misstatement.
- > Financial statements receive an *Unmodified Opinion* (clean opinion).
- > Single audit results in *Unmodified Opinion* on compliance and controls over major program.

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

| Area to Be Communicated | Auditor's Response |
|--|--|
| <p style="text-align: center;">Auditor's View on Qualitative Aspects of Significant Accounting Policies</p> | <ul style="list-style-type: none"> <li data-bbox="940 667 2007 959">> The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. GASB No. 87, <i>Leases</i>, implemented in FY21 <li data-bbox="940 1016 2007 1544">> Accounting estimates are an integral part of the financial statements prepared by management's knowledge and experience about past and current events and assumptions about future events. We feel that all estimates made by management are in accordance with generally accepted accounting principles. |

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

| Area to be Communicated | Auditor's Response |
|--|--|
| Significant Difficulties Encountered in Performing the Audit | > We encountered no difficulties in performing our audit. |
| Uncorrected Misstatements | > By Professional Auditing Standards, uncorrected misstatements refer to immaterial passed audit adjustments – there were no passed audit adjustments. |

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

| Area to be Communicated | Auditor's Response |
|---|---|
| <p>Disagreements with Management</p> | <p>> Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements were encountered during the course of the audit.</p> |
| <p>Other Findings or Issues</p> | <p>> There are no other issues to disclose as part of the audit in connection with these Professional Auditing Standards.</p> |

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

| Area to be Communicated | Auditor's Response |
|---|--|
| Material Corrected Misstatements | <ul style="list-style-type: none"><li data-bbox="936 686 1898 1122">> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.<li data-bbox="936 1247 1793 1369">> There were no adjustments as part of this year's audit. |

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

| Area to be Communicated | Auditor's Response |
|----------------------------|---|
| Management Representations | > We have requested certain representations from management that are included in the management representation letter. A copy of this letter is included with our final communication document. |

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit (cont.)

| Area to Be Communicated | Auditor's Response |
|---|---|
| Management's Consultations with Other Accountants | > Professional standards require the consulting accountant to discuss any such contacts with the current auditor to determine that the consultant has all the relevant facts. We have been involved in any such consultations with other accountants. |

Auditor Communication with Those Charged with Governance

Significant Findings from the Audit

| Area to be Communicated | Auditor's Response |
|-------------------------|---|
| Auditor Independence | > We are not aware of any relationships between Baker Tilly US, LLP, and Great Lakes Water Authority that, in our professional judgment, may reasonably be thought to bear on our independence. |

Internal control communication

AU-C Section 265

Communicating Internal Control Related Matters Identified in an Audit

Material weaknesses noted in GLWA's internal control:

> None noted

Significant deficiencies noted in GLWA's internal control:

> None noted

Upcoming GASB Standards

| GASB Statement Number | Description | Potentially Impacts you | Effective Date |
|-----------------------|---|-------------------------|----------------|
| 91 | Conduit Debt | | 6/30/23 |
| 92 | Omnibus 2020 | ✓ | 6/30/22 |
| 93 | Replacement of Interfund Bank Offered Rates | | 6/30/22 |
| 94 | Public-Private and Public-Public Partnerships and Availability Payment Arrangements | ✓ | 6/30/23 |
| 96 | Subscription-Based Information Technology Arrangements | ✓ | 6/30/23 |
| 97 | Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans | | 6/30/22 |



Audit summary

Thank You!

We appreciate the work performed by GLWA's accounting staff and management in preparing for and assisting in the audit!

We would be happy to answer any questions regarding the audit.

Attachment 2

One-Pager Series - FY 2021 Audit & Financial Report

FY 2021 Financial Audit Results

Good news! The Great Lakes Water Authority received what is known as a “clean audit” opinion from the independent auditors from Baker Tilly for both the financial audit as well as the audit of federal award programs.

Commitment to Transparency

The audited reports, along with monthly Audit Committee reports, can be found online at the “[Financials](#)” page at www.glwater.org

Commitment to Quality – All Year Long

The Financial Services Area supports the organization in a strong commitment to quality in financial reporting on a monthly basis. This means timely, relevant, and reliable information is available for decision makers. As an example, again this year, the *preliminary* June 30th operating budget expenses reported were the same as the *final, audited* expenses.

Positive Budget Performance

| | Water Fund | Sewer Fund |
|--|-------------------------------|--------------------------------|
| Actual Revenue to Budget | \$342 million or 99.7% | \$481 million or 100.4% |
| <i>Stability and predictability in forecasting revenue is important for GLWA – as well as providing reliable forecasts for Member Partners in our annual charge setting process. Total revenue also includes investment earnings and other sources to help lower the burden on the cost of service.</i> | | |
| Actual Revenue Requirements to Budget | \$329 million or 96% | \$469 million or 98% |
| <i>GLWA operated within the budget to meet operational, debt, and other financial commitments. The dollars from this positive variance are used to fund the cost of capital outlay and infrastructure investment and other needs in future years. This also helps to reduce debt as well as relieve pressure on future charges</i> | | |

Solid Credit Metrics

Debt Service Coverage is an indication of our ability to meet debt service payments and is an important ratio for our creditors to demonstrate

| Debt Service Coverage for the year ended June 30, 2021 | Water | | Sewer | |
|--|-------|---------------|-------|---------------|
| | GAAP | Rate Covenant | GAAP | Rate Covenant |
| Senior Lien Bonds | 2.00 | 1.99 | 2.62 | 2.92 |
| Senior and Second Lien Bonds | 1.41 | 1.40 | 1.76 | 1.97 |
| All Bonds, Including SRF Junior Lien | 1.38 | 1.38 | 1.36 | 1.51 |

that GLWA has sufficient cash to repay its bondholders. For GLWA, this is calculated on both the Governmental Accepted Accounting Principles (GAAP) basis as well as the rate covenant basis.

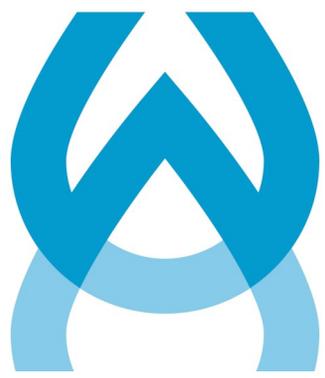
Days Cash on Hand is important because it demonstrates that sufficient funds are available to maintain and operate the systems. It also reduces GLWA’s reliance on borrowing which becomes a long-term burden on affordability. Days cash on hand is calculated as unrestricted cash divided by one day of operating expense. At the end of fiscal year 2021, the days cash on hand was 1,043 days for the water system and 664 days for the sewer system.

Attachment 3

Draft Annual Comprehensive Financial Report

GLWA

Great Lakes Water Authority



Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

*Dedicated to efficiently delivering the nation's best water and sewer services
in partnership with our member partners across Southeast Michigan*



Southwest Water Treatment Facility

DRAFT

GREAT LAKES WATER AUTHORITY

Southeast Michigan

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Including Independent Auditors' Report

Fiscal Year Ended June 30, 2021

Prepared By:

Great Lakes Water Authority Financial Services Area

GREAT LAKES WATER AUTHORITY

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GREAT LAKES WATER AUTHORITY

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GREAT LAKES WATER AUTHORITY

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INTRODUCTORY SECTION



TRANSMITTAL LETTER

December 8, 2021

Board of Directors
Great Lakes Water Authority

Dear Directors,

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the Great Lakes Water Authority ("GLWA" or "Authority") for the fiscal year which ended June 30, 2021. This is GLWA's fifth full 12-month fiscal year of operations since the Authority's operational effective date of January 1, 2016. Having five full years of financial information allows the GLWA team to demonstrate delivery of the high level of performance that we have pledged.

About this Annual Comprehensive Report

The accompanying financial statements for GLWA were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), as promulgated by the Governmental Accounting Standards Board ("GASB") and audited by a firm of independent certified public accountants engaged by the GLWA Board of Directors. This is consistent with the GLWA Articles of Incorporation and By-laws which require an annual audit of the Authority's financial statements by independent certified public accountants.

Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with GLWA management. To the best of our knowledge and belief, the information contained in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of GLWA. All disclosures necessary for the reader to gain an understanding of GLWA's financial activity have been included.

GLWA management is responsible for establishing and maintaining an internal control structure designed to ensure that its assets are adequately safeguarded against loss, theft, or misuse and to maintain accurate and reliable financial records for the preparation of financial statements and the representations made by management. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of internal controls should not exceed the benefits derived from the controls; and 2) the evaluation of costs and benefits requires management's exercise of judgment. To the best of our knowledge and belief, GLWA's internal accounting controls adequately safeguard its assets and provide reasonable assurance of the proper recording of financial transactions in accordance with GAAP.

Baker Tilly US, LLP, Certified Public Accountants, has been retained by GLWA to serve as its independent auditors and has issued an unmodified ("clean") opinion on GLWA's financial statements for the year ended June 30, 2021 with comparative amounts for June 30, 2020.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to supplement the MD&A and should be read in conjunction with it. GLWA's MD&A is located immediately following the independent auditors' report.

Overview of GLWA

In order to understand key elements of GLWA's financial reporting, it is helpful to understand some of the background that resulted in the launch of GLWA as a regional water and wastewater utility on January 1, 2016.

The creation of GLWA was an outcome of the City of Detroit's Chapter 9 Bankruptcy and monumental collaboration among regional leaders. Working to meet the needs of a sustainable and affordable infrastructure, a memorandum of understanding was agreed upon on September 9, 2014 to form a regional water authority. Subsequently, GLWA was incorporated by the City of Detroit ("City") and the counties of Macomb, Oakland and Wayne on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended. At the time of GLWA's incorporation, the City, through its Detroit Water and Sewerage Department ("DWSD"), was providing water supply services within and outside of the City through a water supply system and drainage and sewage disposal services within and outside of the City through a sewage disposal system. The purpose of GLWA is to operate, control, and improve the regional assets of both the Water System and Sewage Disposal System owned by the City and which were operated by DWSD. The purpose of DWSD is to be the local service provider for the retail system, which is largely the City of Detroit customer base, including a few retail customers located just outside the City of Detroit.

On June 12, 2015, the City and GLWA executed the Regional Water Supply and Sewage Disposal System Leases (the Regional System Leases), transferring the regional water and sewage disposal facilities from the City to GLWA for an initial term of 40 years. In addition, the City and GLWA entered into a Water and Sewer Services Agreement whereby GLWA provides water and sewer services to the City; the City then supplies these services to Detroit retail customers via the DWSD.

The above agreements required the satisfaction of several conditions before becoming effective. By January 1, 2016 (the operational Effective Date), those conditions were met and GLWA, under the terms of the Leases, became responsible for the assets, all bonded indebtedness, and operations for the regional water and wastewater systems.

GLWA leases the regional water and sewage disposal facilities from the City for an allocation of \$50 million per year to fund capital improvements for the City's retail system and/or debt obligations associated with providing water and sewer service to the City.

The structure that launched GLWA also provided an opportunity to fund a Water Residential Assistance Program ("WRAP") to assist eligible low-income residential households in our member partner communities.

At GLWA, we define “member partner” as the city, township, village, drainage district, authority or other public body corporate recognized by the state of Michigan that holds a wholesale water or wastewater services contract with GLWA and includes its staff and consultants. Our member partners are actively engaged with GLWA and supported by a facilitated outreach program to ensure open, ongoing, and proactive relationships.

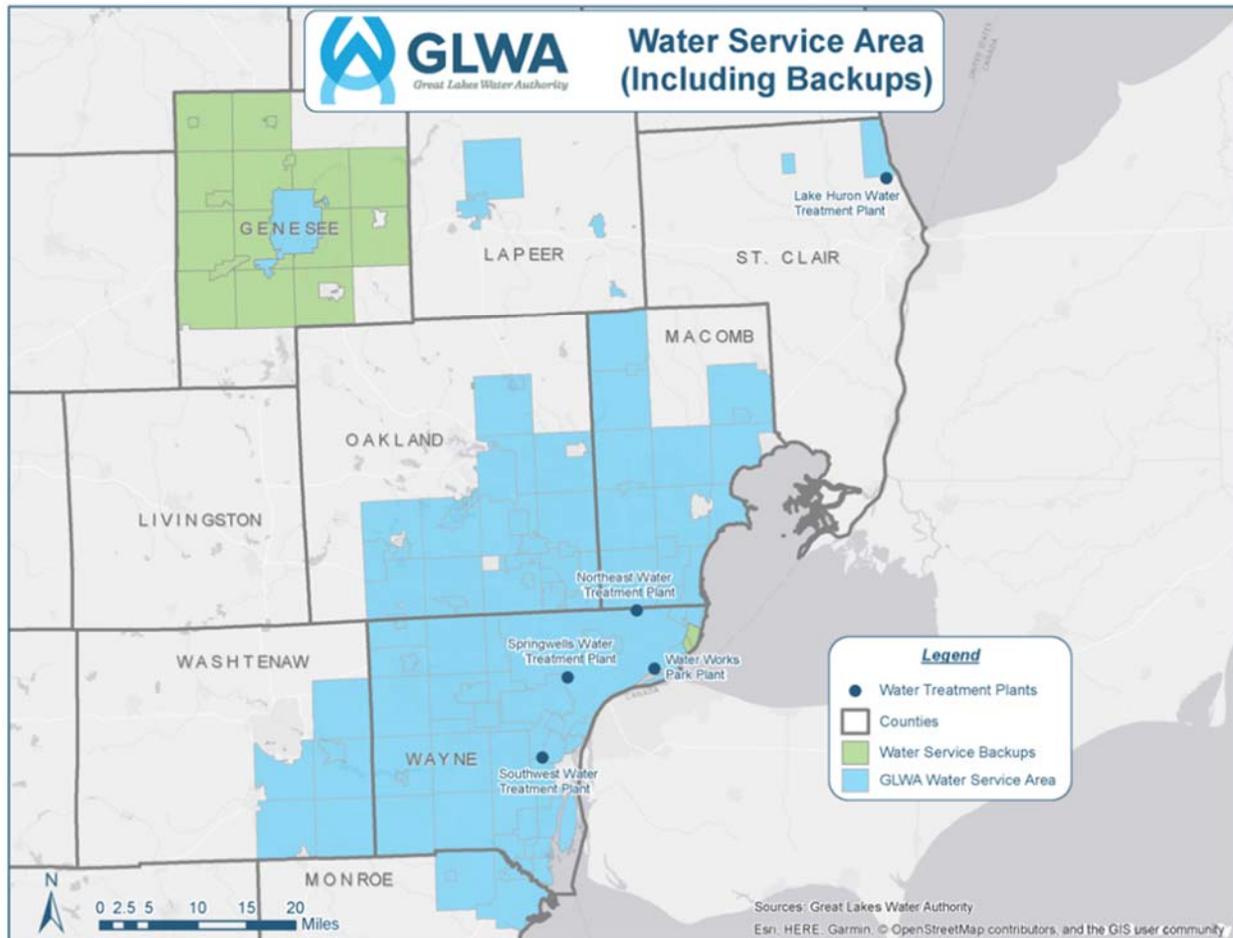
Regional Water System

Our regional water system is one of the largest in the United States, both in terms of water produced and population served. The system currently serves an area of 1,698 square miles with an estimated population of nearly 3.8 million or approximately 38 percent of Michigan’s population. The water system has 88 member partners across 112 communities.

The water supply system consists of three intake facilities, five water treatment plants, 19 booster pumping stations, 32 water storage reservoirs and a conveyance system with over 816 miles of transmission mains. The facilities have the treatment capacity of 1,720 million gallons per day.

The long-term strategy for the water system focuses on reliability, flexibility and cost effectiveness. The 2015 Comprehensive Water Master Plan has identified the ability to reduce the number of water treatment facilities in full operation at GLWA. Initially, for long-term capital expenditure avoidance, the plan has identified the repurposing of the Northeast Water Treatment Plant. To repurpose this facility into a reservoir and pump station, several capital projects, as identified on page 26 of the [FY 2022 - 2026 CIP](#), have been identified and are required to be completed.

Below is the water service area map.



Regional Wastewater System

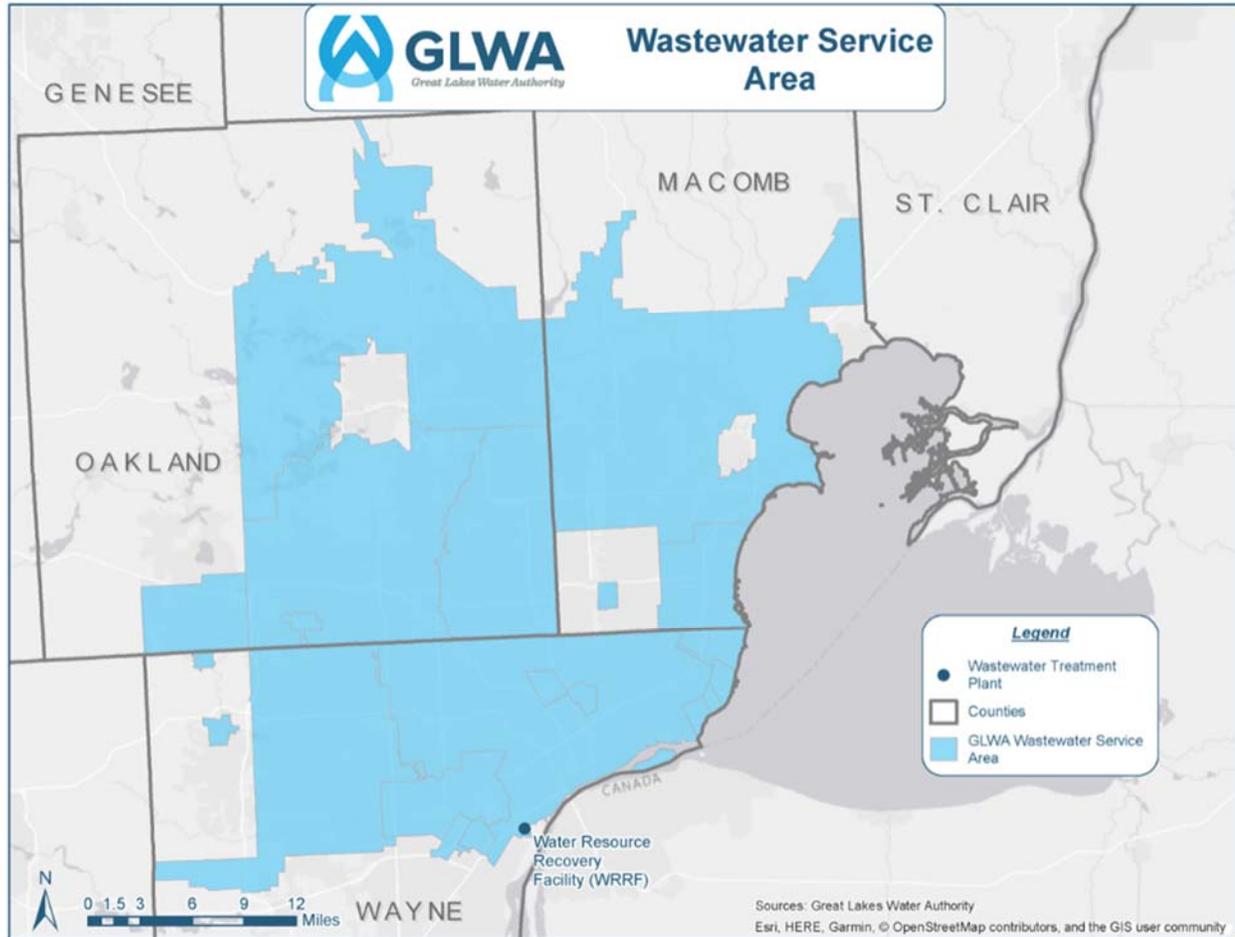
Our regional wastewater system is also one of the largest in the United States, both in terms of treatment capacity and population served. The wastewater system currently serves an area of 944 square miles with an estimated population of nearly 2.8 million or approximately 28 percent of Michigan’s population. The wastewater system has 19 member partners across 79 communities.

The wastewater system consists of one of the largest single-site water resource recovery facilities in the United States, three major interceptors, nine pump stations, eight Combined Sewer Overflow (“CSO”) Control Facilities, including five retention treatment basins and three flow-through type facilities, as well as a conveyance system with 195 miles of trunk sewers and interceptors.

The long-term strategy for the wastewater treatment and sewage disposal system is a focus on regional efficiencies. The 2020 Wastewater Master Plan (“WWMP”) was adopted by the Board in September 2020. The WWMP was created with incredible energy, insight, and direction from a broad cross section of our member partners working collaboratively with our team members and consultants and other regional stakeholders. The focus, approach and outcomes of the plan demonstrate the true spirit of the One Water Partnership that GLWA and our member partners are committed to for the benefit of southeast Michigan. The 40-year master plan focuses on water quality, leveraging the entire region’s existing infrastructure, maximizing the use of dynamic wet weather

operations, strategic use of green infrastructure, addressing changes in weather patterns and rain event intensities, extensive system modeling including surface water and wastewater treatment, evaluation of resource recovery options and energy reduction opportunities.

Below is the wastewater service area map.



Local Economy

Southeast Michigan’s largest employers are comprised mostly of automobile manufacturers and health care systems. There has not been much change in the population of the service area. Due to the COVID-19 pandemic, the annual average unemployment rate increased to 11.7% in 2020 but has trended downward this year and is at 4.8% in June 2021. Per capita income has had a steady increase over the years with a decline in 2020 due to the pandemic.

Budget Process

The GLWA has a rigorous budget process. Annually, a biennial budget and five-year plan are prepared concurrently. This process begins soon after the current fiscal year begins with the operating area budget managers. A preliminary budget is presented to the Audit Committee in December and then to the full Board in January. It is also presented to our member partners for comments during the charge development process. The final proposed biennial budget and five-year financial plan, as well as a five-year capital improvement plan is presented to the Board during a public hearing in February. Once approved, the budget takes effect on July 1st.

The legal level of budgetary control is at the budgeted revenue requirement level to align with the charge setting process. The budget shall not be increased or decreased by revenue requirement category without prior Board authorization. The Board is provided detail schedules which support the totals in the resolution. The Chief Financial Officer may exercise discretion to modify the detail budget line items within each requirement.

The budget is prepared on a modified cash basis and the revenue requirements are determined based upon the cash needed to meet the expenditures as required by the Master Bond Ordinance. A budget to actual comparison is included in the Schedule of Revenue Requirements in the Supplementary Information. A crosswalk is provided in the Supplementary Information that provides a reconciliation between budget basis results in the Schedule of Revenue Requirements to the accrual basis results in the Statement of Revenues, Expenses and Changes in Net Position.

Long-term Financial Planning

The GLWA annually updates a 10-year financial forecast as a roadmap to achieve one of the organizational goals of a solid AA category rating, by meeting or exceeding rating agency criteria. The path to achieve a solid AA credit rating is based upon rebalancing the mix of debt financing and revenue generated capital (also known as pay-as-you go) to fund the capital improvement plan. GLWA has delivered in reducing the annual revenue dollars that are dedicated to debt service with an effective debt refunding program.

While there was no debt refunding activity in the fiscal year ended June 30, 2021, we continue to monitor market conditions. The leadership team in place at DWSD that transitioned to GLWA to stand up the regional water authority, has ushered the systems along in the path toward financial stability through optimizing the debt portfolio. Since 2015, refunding transactions have resulted in over \$1 billion in cashflow savings over the remaining life of the debt at the time of the refunding – with nearly 72% of those savings achieved via transactions completed since the operating effective date of GLWA. These savings have a material impact on GLWA's ability to keep annual charge adjustments at an amount well below the consumer price index. Further, the required level of debt reserves has declined by \$160 million as the structure of the outstanding debt has been optimized. This allows GLWA to more efficiently utilize its resources to increase funding available for capital improvements as well as place less pressure on charge increases.

Cumulative Savings from Bond Refunding Transactions (\$000)

| | GLWA | | | | DWSD (Implementation period of Memorandum of Understanding) | | Total FY 2015 to FY 2020 |
|--|-------------------|------------------|-------------------|---------------------------------------|---|-------------------|--------------------------|
| | FY 2020 | FY 2019 | FY 2017 | Total Since Inception January 1, 2016 | Period Ended December 31, 2015 | FY 2015 | |
| Cash Flow Savings | | | | | | | |
| Water Fund | \$ 103,077 | \$ 30,880 | \$ 185,424 | \$ 319,381 | \$ 16,390 | \$ 138,696 | \$ 474,467 |
| Sewer Disposal Fund | 221,040 | 54,049 | 123,711 | 398,800 | 21,884 | 106,813 | 527,497 |
| Total Cash Flow Savings | <u>\$ 324,117</u> | <u>\$ 84,929</u> | <u>\$ 309,135</u> | <u>\$ 718,181</u> | <u>\$ 38,274</u> | <u>\$ 245,509</u> | <u>\$ 1,001,964</u> |
| Economic Gain - Net Present Value Savings | | | | | | | |
| Water Fund | \$ 66,489 | \$ 24,897 | \$ 120,781 | \$ 212,167 | \$ 13,003 | \$ 56,956 | \$ 282,126 |
| Sewer Disposal Fund | 122,881 | 34,519 | 71,155 | 228,555 | 13,226 | 56,589 | 298,370 |
| Total Economic Gain | <u>\$ 189,370</u> | <u>\$ 59,416</u> | <u>\$ 191,936</u> | <u>\$ 440,722</u> | <u>\$ 26,229</u> | <u>\$ 113,545</u> | <u>\$ 580,496</u> |

Restricted Cash Required for Debt Reserves (\$000)

| | June 30, 2020 | June 30, 2019 | June 30, 2018 | June 30, 2017 | June 30, 2016 | June 30, 2015 | June 30, 2014 |
|---------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Water Fund | \$ 4,361 | \$ 16,353 | \$ 20,970 | \$ 21,547 | \$ 46,541 | \$ 46,333 | \$ 77,920 |
| Sewer Disposal Fund | 18,903 | 52,206 | 64,830 | 65,975 | 89,587 | 89,237 | 105,556 |
| Total Debt Reserves | <u>\$ 23,264</u> | <u>\$ 68,559</u> | <u>\$ 85,800</u> | <u>\$ 87,522</u> | <u>\$ 136,128</u> | <u>\$ 135,570</u> | <u>\$ 183,476</u> |

Pattern of Delivering What We Promise - This financial achievement demonstrates the strength, stability, and best-in-class performance that the regional stakeholders and leadership team envisioned when the concept of a regional authority emerged in 2014. Further, we believe that our transparency and accessibility in addressing questions from rating agencies, as well as investors, contributed to successful outcomes in uncertain times. The result is rating agency improvements since the operational effective date of the Authority. Moody's Investor Services has increased the ratings 5 notches and both Standard & Poor's and Fitch Ratings have increased the ratings 4 notches.

FY 2021 Key Financial Highlights

Following are the top 10 key financial highlights from FY 2021 for GLWA. A further discussion of FY 2021 results is presented in the Management Discussion & Analysis (MD&A). The information below is for GLWA as a whole. The MD&A provides further analysis of the water and sewer systems individually in addition to GLWA overall.

1. Operating revenue of \$815.4 million increased by \$14.5 million, or 1.8 percent, from the prior year.
2. Operating expenses of \$579.5 million, represents 71 percent of total operating revenues. Nearly half of the operating expenses, \$277.8 million, or 48 percent, are from depreciation and amortization of assets.
3. Actual operating expenses compared to amended budget, resulted in a \$25.3 million positive variance, or 7.99% of amended budget.
4. Operating income is \$235.9 million which represents 29 percent of total operating revenue.

5. Nonoperating expenses is \$230.4 million or 28 percent of total operating revenue. By far, the largest nonoperating category is interest expense of \$263.5 million followed by legacy pension expense of \$22.5 million for non-employer financial commitments to the Detroit General Retirement System. These expenses are offset by nonoperating income from interest on loan and obligations receivable of \$43.7 million and earnings on investments of \$7.0 million.
6. Net position increased by \$11.4 million or 1.4 percent of total revenue.
7. Current assets of \$1.054 billion compared to current liabilities of \$338 million results in a current ratio of 3.1. This demonstrates GLWA's financial strength in being able to meet its current obligations.
8. Capital assets of \$14.0 million were purchased while \$211.3 million in assets were constructed during the year ended June 30, 2021. Ending construction in progress of \$396.0 million is net of the constructed asset additions and \$117.7 million in assets placed in service.
9. Long-term debt decreased by \$160.3 million from \$5.75 billion to \$5.59 billion. This amount is net of \$211.5 million decrease, which includes principal payments and amortization of premiums and discounts, offset by \$53.2 million in new revolving fund loans and \$2 million in debt forgiveness.
10. Days cash, a key measure of liquidity, is solid at 819 days.

The final key financial highlight, debt service coverage, is one which is most appropriately presented for the water and sewer system separately. This is because each system has a separate credit rating. Debt service coverage for both the water and sewage disposal systems is calculated on a GAAP basis and a rate covenant basis. The water system reports GAAP basis debt coverage for senior lien bonds at 2.00 times and all bonds at 1.38 times, and rate covenant basis debt coverage for senior lien bonds at 1.99 times and all bonds at 1.38 times. The sewage disposal system reports GAAP basis debt coverage for senior lien bonds at 2.62 times and all bonds at 1.36 times, and rate covenant basis debt coverage for senior lien bonds at 2.92 times and all bonds at 1.51 times. Detail for all debt types can be found in the Debt Service Coverage schedules in the statistical section.

Unprecedented Events in FY 2021

Both the beginning and end of Fiscal Year 2021 brought unprecedented events. We have navigated through these challenges with our Member Partners – both in direct financial relief, as well as tackling larger policy issues like climate change and infrastructure funding.

COVID-19 Pandemic - The beginning of fiscal year 2021 was still early in the COVID-19 pandemic era. Some Member Partner communities were anticipating cashflow decreases as a result of the pandemic era shut-off moratorium for their utility as well as revenue reductions from decreased sales with many businesses pausing activity. To provide financial relief for GLWA Member Partners during that time, the Board delayed implementation of charge increases from July 1, 2020 until January 1, 2021. This resulted in a revenue reduction of \$6 million for the water fund and \$5.3 million for the sewage disposal fund. GLWA concurrently adjusted its revenue requirements budget to achieve this reduction.

Climate Change - The end of the fiscal year 2021 occurred only days after an unprecedented rain event, spanning June 25 through June 26, which brought more than double the rain to many parts of the service area in these two days than what typically falls during the entire month of June. The rain event caused significant damage to personal and public property. A federal emergency management agency (FEMA) declaration was subsequently approved to provide financial assistance and services to families, businesses, and public entities. This rain event was followed by subsequent weather events, although less severe, in July and August 2021. These events have hastened the interest in many of the goals of the Wastewater Master Plan that have a strong focus on a regional and local system view of wastewater operations. GLWA is committed to working with member partners and other stakeholders to address these long-term and complex issues.

Solid Foundation for Sustainability

GLWA is committed to ensuring the long-term sustainability of the regional water and sewage disposal systems – we do this by recognizing that near-term actions have long-term impacts.

Stable Revenues with Modest Charge Adjustments - GLWA balances steady and controlled Operations and Management budget requests for the short-term, while continuing to focus on increasing cash reserves for capital investment and controlling long-term financial commitments. This provides stability in the cost of supply for our member partners. See Schedule 3 in the Statistical Section which provides the history of charge adjustments. The water and sewer regional system charge structure, developed collaboratively with member partners, supports a high degree of financial stability. The Water System revenues are set using a methodology with a basis of 60 percent fixed monthly charge and 40 percent commodity consumption using a 36-months historical average usage. Proof of that stability gained is that actual wholesale customer revenue for 2021 was 99.6% of budget. The Sewage Disposal System charge revenues are 100 percent fixed monthly billing based on each member partner’s share of the annual forecasted revenue requirement. The sewage disposal charges for FY 2022 include a new Sewer SHARES methodology that embraces simplicity and replaces the strength of flow with an appropriate weighting on sanitary volumes. This simplified sewer charge methodology was developed by GLWA team members, advisors, and member partners.

Bondholder Protections - All GLWA and DWSD customer payments are deposited to Bond Trustee Accounts and are disbursed in accordance with the Master Bond Ordinance (MBO) flow of funds.

Defined Contribution Benefit Plans - All employee benefit plans are defined contribution which provide shorter term vesting and flexibility for the employee while creating zero risk on unfunded liabilities for GLWA.

Flexible Capital Program - The majority of the GLWA FY 2022 –2026 five-year capital improvement plan (“CIP”) is driven by optimizing the system and maintaining reliability. There are no projects in the water system or sewer system CIP which have costs that will be incurred during FY 2022 to 2026 that are driven by mandated permit requirements. The water system CIP calls for \$932.5 million of major capital expenditures over the next five fiscal years (2022-2026) and the sewer system CIP calls for \$738.4 million of capital expenditures over the same time period. The staff from Michigan Department of Environment, Great Lakes, and Energy (“EGLE”) regularly engage with GLWA on capital project matters to ensure alignment and open dialog to achieve optimal results.

Payment Assistance Program - The Water Residential Assistance Program (WRAP) set aside \$4.1 million of resources to support customer assistance needs in the region for the year ended June 30, 2021. Services include payment assistance, consumption audit, basic plumbing repairs, conservation education, and limited lead fixture replacement. This means that qualified households can receive payment assistance, as well as take steps to sustainably reduce their bills in the future. Embracing the spirit of continuous improvement, we continually assess and modify the program to identify better performance measures and ensure that eligible residents throughout the service area can readily access the program. In late 2020, a temporary exception allowed those financially impacted by COVID-19 to continue receiving assistance. During fiscal year 2021, a comprehensive review of the program resulted in recommendations adopted by the Board with an effective date of October 1, 2021. These program enhancements provide easier access to the program and expanded services.

Workforce Development - As a significant number of employees in the water service sector prepare for retirement, GLWA is focused on workforce development and succession planning. In partnership with Focus: HOPE, and several local colleges, GLWA previously launched three multiple-year apprenticeship programs. A successful outcome is for apprentices to become GLWA team members. In September 2020, the Apprenticeship Program for Electrical Instrumentation Control Technicians (EICT-I) graduated 20 apprentices from the three-year training program for EICT-I certification, with 19 accepting full-time positions with GLWA.

Most recently, in October 2021, a fourth apprenticeship program in collaboration with Focus: HOPE and its educational partner Macomb Community College, announced a new three-year apprenticeship to train and hire water technicians for GLWA.

Business Inclusion and Diversity Initiative - On November 25, 2020, the GLWA Board of Directors approved an amendment to the procurement policy that establishes the submission of a diversity plan for all procurements over \$1 million to ensure that the vendor community is aligned with GLWA's values for a diverse vendor base. The amendment also provides incentives to business located in our state, services area, and in economically disadvantaged communities among our member partner communities. The launch of the Business Inclusion & Diversity ("BID") program significantly strengthens the Small Business Initiative and the Strategic Alliance Memorandum executed with the United States Small Business Administration ("SBA") in 2018 to meet the needs of the small business community and engagement in GLWA business opportunities. The B.I.D. Program Team, which includes internal GLWA Team Members as well as external consultants, executed a Phase I launch of the program on February 1, 2021. The B.I.D. Program Phase II implementation will begin in FY 2022.

Governance Structure that Supports Collaboration - GLWA's Board of Directors consists of six members. Two members are appointed by the mayor of the City of Detroit, one member is appointed by each chief executive of the three counties (Macomb, Oakland, and Wayne), and one member is appointed by the governor of the state of Michigan. The governor's appointee represents other suburban customer areas outside the tri-county service area, and that appointee must reside within that geographic area.

One Water Partnership - In September 2017, the first One Water Partnership Agreement was signed by GLWA and its member partners. This historic agreement outlines the mutual commitments to working together for the greater good of the region and details the responsibilities of all parties to moving the agreement forward. A critical addition to the agreement is the development of a multi-jurisdictional, multi-agency approach to infrastructure renewal and investment.

Recognition Among Our Peers

Platinum Award for Utility Excellence - In October 2020, GLWA received the Platinum Award for Utility Excellence from the Association of Metropolitan Water Agencies (“AMWA”). The national award recognizes the exceptional performance of public drinking water utilities where management vision and employee commitment create sustainable utilities producing ample supplies of clean, safe drinking water. To be invited by AMWA to apply for the Platinum Award, a utility must first win the association's Gold Award, which GLWA received in 2017. It must then, over the next three years, exhibit measurable progress in implementing the industry standard 10 Attributes of Effective Utility Management and Keys to Management Success, as well as a distinctive level of management expertise and expanded utility achievement.

Utility of the Future Today – A group of five national professional organizations, led by the Water Environment Federation (“WEF”) has recognized GLWA as a Utility of the Future Today for the third consecutive year. The award is given to water systems for transforming operations through innovations and technology. GLWA won in 2020 for its commitment to and innovation in watershed stewardship.

National Association of Clean Water Agencies (“NACWA”) Recognitions – GLWA received NACWA's National Environmental Achievement Award (“NEAA”) for Public Information & Education in 2020 for the One Water Regional Public Education Campaign and in 2021 for Flushables: Educating and Influencing Public's Behavior. The Authority also received an NEAA award for Workforce Development 2020 for its Apprenticeship Programs. In 2020, GLWA received the NACWA Silver Peak Performance Award, and in 2021 received NACWA's Excellence in Management Gold Award.

Government Finance Officers Association Distinguished Budget Presentation Award – The Government Finance Officers Association of the United States and Canada (“GFOA”) presented a Distinguished Budget Presentation Award to Great Lakes Water Authority, Michigan, for its Biennial Budget for the biennium beginning July 1, 2020. This was the Authority's second year receiving the award. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device.

Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting - GFOA has awarded the Certificate of Achievement for Excellence in Financial Reporting to Great Lakes Water Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2020 for the second year in a row. The report has been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is the highest form of recognition, in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

COVID-19 Pandemic

Michigan is currently undergoing its fourth surge of the COVID-19 virus and at time of this writing, a substantial portion of new infections within the United States are arising within Michigan. At this same time, Michigan has been successful with promoting vaccinations for its residents and the ultimate duration and impact of the virus continue to remain unclear.

While Michigan's COVID-19 infection rate varies, GLWA has seen success in managing the rate of infection within its team at a low level, even though a substantial majority of GLWA team members are working on site each day. The keys to GLWA's success are proactive efforts and policies requiring social distancing when possible, face coverings within GLWA buildings, daily medical screenings for team members and others entering GLWA facilities, and enhanced facility cleaning. GLWA continues to utilize its emergency operations center, which meets regularly throughout each week, to address evolving impacts associated with the virus. GLWA remains focused on team members' health and safety and maintaining continuity of operations and service levels.

GLWA has been an active proponent of federal and state funding efforts to bridge the economic impact of the COVID-19 on the state and local economies. Including advocacy for the recently approved federal low-income water assistance program. Despite these efforts and positive economic data, uncertainty remains as to the overall duration and effects of a mutating COVID-19 virus on the national economy, Michigan economy and local economies within GLWA's service area. In addition to its own advocacy and consistent with its commitment to meaningful and transparent communication with the member partner communities it serves, GLWA has hosted and participated in a number of forums on available assistance and strategies to mitigate the economic impact of the COVID-19 pandemic.

GLWA continues its research partnership with Michigan State University's (MSU) College of Engineering and the city of Detroit to focus on the use of the wastewater system to help detect viruses in untreated sewage to better understand how wastewater could play an important role in protecting public health during the pandemic. This promising research has been published in the Journal of Environmental Engineering and utilized by other communities and institutions to support and enhance early detection of the virus.

Executive Leadership Transition

On July 27, 2021, Sue F. McCormick, Chief Executive Officer (CEO), announced her retirement. As many know, Sue was the CEO for the GLWA since inception and Director for DWSD prior to that beginning in 2012. Sue's leadership transformed the organization and built the foundation for trust and collaboration that enabled the regional authority discussions. She built an executive leadership team that she allowed to manage their respective areas while holding a high standard of accountability, quality, and commitment to the team. Sue's water sector expertise reaches beyond GLWA to the state, national, and global communities. Although she has moved on, she leaves behind a team that learned from every conversation with her and will carry forward the values on which GLWA was founded.

On August 11, 2021, the Board appointed Suzanne R. Coffey, P.E., Chief Planning Officer, to Interim Chief Executive Officer. Jody Caldwell, Asset Management Director, has been appointed by Suzanne to be the Interim Chief Planning Officer. The entire leadership team is appreciative of the support from the Board and Member Partners in continuing to make progress on ongoing and ever emerging issues.

Acknowledgements

The positive financial results presented in the annual comprehensive financial report is the demonstration of the commitment that each GLWA team member has to accountability for the resources we are given. In addition, a special acknowledgement is in order for the members of the Financial Services Area – who consistently excel in delivering quality, transparent financial reporting all year in addition to this annual comprehensive financial report.

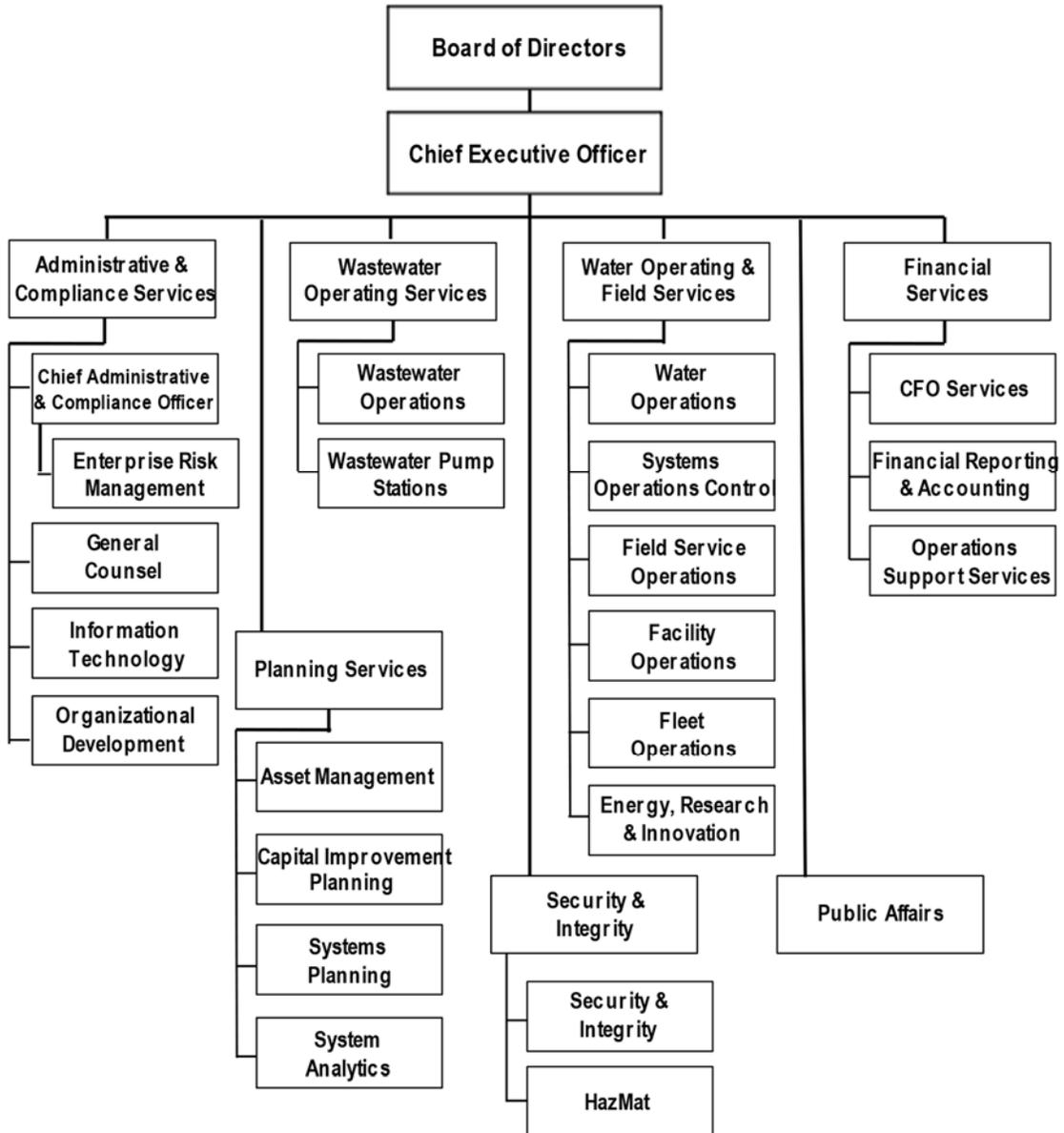
When we say “our” system, it is “our” system that we mutually support and foster in collaboration with our member partners, team members, vendor community, board of directors, other stakeholders and the public at large. Now, more than ever, thank you for your continued engagement.

Suzanne R. Coffey, PE
Interim Chief Executive Officer

Nicolette N. Bateson, CPA
Chief Financial Officer & Treasurer



Organizational Line of Reporting Chart





Great Lakes Water Authority Board of Directors
as of June 30, 2021

John J. Zech.....GLWA Board Chair; Representative for Wayne County
Jaye Quadrozzi.....GLWA Board Vice-Chair, Representative for Oakland County
Freman Hendrix..... GLWA Board Secretary, Representative for City of Detroit
Brian Baker GLWA Board Representative for Macomb County
Gary A. Brown..... GLWA Board Representative for City of Detroit
Beverly Walker-Griffea, Ph.D GLWA Board Representative for the State of Michigan

Great Lakes Water Authority Executive Leadership Team
as of June 30, 2021

Sue F. McCormick *Chief Executive Officer
William M. WolfsonChief Administrative and Compliance Officer
Nicolette N. Bateson, CPA Chief Financial Officer/Treasurer - Financial Services
Cheryl D. Porter.....Chief Operating Officer – Water and Field Services
Navid Mehram, PE.....Chief Operating Officer – Wastewater Operating Services
Suzanne R. Coffey, PE **Chief Planning Officer
Jeffrey E. Small.....Chief Information Officer
Terri Tabor Conerway..... Chief Organizational Development Officer
W. Barnett Jones Chief Security & Integrity Officer
Randal M. Brown General Counsel
Michelle A. ZdrodowskiChief Public Affairs Officer

* Retired; formally submitted resignation to the Board on July 28, 2021
** Appointed Interim Chief Executive Officer on August 11, 2021; Jody Caldwell appointed Interim Chief Planning Officer

Mission Statement

To exceed our customers’ expectations by utilizing best practices in the treatment and transmission of water and wastewater, while promoting healthy communities and economic growth.



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Great Lakes Water Authority
Michigan**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

DRAFT

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Great Lakes Water Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, and each major fund of the Great Lakes Water Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Great Lakes Water Authority's 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 over financial reporting relevant to the Great Lakes Water Authority'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 Great Lakes Water Authority'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 business-type activities, and each major fund of the Great Lakes Water Authority as of June 30, 2021 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information as listed 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 who 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 management's discussion and analysis and the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Great Lakes Water Authority's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

We have previously audited the Great Lakes Water Authority's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities, and each major fund in our report dated December 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021 on our consideration of the Great Lakes Water Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Great Lakes Water Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Great Lakes Water Authority's internal control over financial reporting and compliance.

Madison, Wisconsin
December 17, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

June 30, 2021

The management of the Great Lakes Water Authority (GLWA or Authority) presents this discussion and analysis of GLWA's financial position and changes in financial position as of and for the fiscal year ended June 30, 2021. The Management's Discussion and Analysis (MD&A) should be read in conjunction with GLWA's basic financial statements and the related notes to the financial statements in addition to the transmittal letter provided in this report.

GLWA began operations on January 1, 2016. This fiscal year ended June 30, 2021 report represents the fifth full twelve-month report for GLWA. This discussion starts with the GLWA's accounting framework followed by an overview of the financial statements and then the financial analysis. Information in condensed format compares the fiscal year ended June 30, 2021 to the fiscal year ended June 30, 2020 for Total Business-Type activities for the Statement of Net Position. The condensed format of the Statement of Changes in Net Position is presented for the Total Business-Type activities. Financial analysis of this statement is explained by an analysis of the two major funds changes in net position. Comparison analysis is also provided for the fiscal year ended June 30, 2020 to the fiscal year ended June 30, 2019.

Accounting Framework

GLWA leases the regional system assets from the City of Detroit. In order to understand the GLWA's financial activity, it is helpful to revisit key financial reporting categories impacted by the accounting for the start-up of the Authority. The Regional System Leases which transferred the regional water system and sewage disposal system assets and operations to the GLWA are recorded based upon GASB 69, Government Combinations and Disposals of Government Operations. Accounting for the regional system leases under GASB 69 resulted in the following Statement of Net Position categories.

Capital Assets: Based on the terms of the transaction, and GASB 69 requirements, the assets subject to lease are recorded as capital assets by GLWA. The capital assets acquired were recorded at "acquisition value" based upon an inventory valuation performed by a certified appraisal firm as of January 1, 2016. This resulted in an overall increase in capital asset value from the predecessor entity's historical cost. Accordingly, the depreciable lives were reviewed and, in several cases shortened, which has increased annual depreciation expense.

Bonded Indebtedness: The outstanding bonded indebtedness of the predecessor entity (DWSD) was assumed in its entirety by GLWA. GASB 69 also required debt to be recorded at acquisition value.

Net Pension Liability: The net pension liability represents the Regional Systems' share of the frozen, defined benefit City of Detroit GRS pension assigned to DWSD in the City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment. On January 24, 2017, the parties agreed that 70.3 percent of the liability was allocable to the GLWA regional operations and 29.7 percent to DWSD and is the basis of allocation for future pension contributions. That net pension liability is further subdivided between the Water Fund and the Sewage Disposal Fund for each entity.

Obligation Payable: The obligation payable represents the Regional Systems' share of the B and C Note Obligations assigned to DWSD in the City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment. The B and C Note Obligations refers to the debt service on the City of Detroit Financial Recovery Bonds dated December 10, 2014. Those bonds were issued to satisfy claims relating to the City's pension obligation certificates and postemployment healthcare benefits. GLWA's portion of the liability was estimated at 71.42 percent of the total DWSD liability.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Beginning Net Position: The acquisition value of assets acquired exceeded the liabilities assumed by \$736.5 million in total with \$457.9 million attributable to the Water Fund and \$278.6 million attributable to the Sewage Disposal Fund. In accordance with GASB 69, the opening capital assets were adjusted by an amount to establish a total net position of zero as of January 1, 2016.

Contractual Obligation Receivable: This represents DWSD's allocable portion of the long-term bonded indebtedness assumed by GLWA on January 1, 2016 for local system capital improvements in previous years. This receivable is amortized annually in an agreed upon amount that approximates debt service. If new debt is issued on behalf of DWSD, the receivable is increased.

Regional System Lease Payable: The regional system lease payable is the net present value of the lease payment of \$50 million per year for 40 years payable to the DWSD with \$22.5 million paid to the DWSD local water system and \$27.5 million paid to the DWSD local sewer system based on a 4.17 percent borrowing rate for both systems.

Since GLWA assumed the outstanding bonded indebtedness, retail customer revenues are pledged for payment of outstanding bonded indebtedness assumed by GLWA. For this reason, pursuant to the terms of the Regional System Leases, DWSD is GLWA's agent for retail billing, collections, and enforcement.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

The *statement of net position* presents information on the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position.

The *statement of revenues, expenses and changes in net position* presents information showing how the Authority's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will result in cash flows in future fiscal periods.

The *statement of cash flows* provides information about the Authority's cash receipts, cash payments and net changes in cash and cash equivalents resulting from operating, investing and capital and non-capital financing activities for the fiscal year.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. These schedules provide additional financial, budgetary, statistical, trend, and economic information that may be helpful to the readers of these financial statements.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

The Authority presents a combining statement for each fund in the supplementary financial information classified into three categories that align with the Authority's strategic and budgetary focus of managing capital investment for both the Regional Water System and Regional Sewage Disposal System: 1) operations (low capital investment), 2) improvement and extension (moderate capital investment and financial mechanism to lower borrowings and the related cost of capital over the long term), and 3) construction projects (high capital investment). The water and sewage disposal funds together comprise the activity of these three categories of the Authority in total. The separate water and sewage disposal funds are required by the MBO. A separate credit rating is established for each system and services provided to the member partner communities by each system are separate and distinct (although many may geographically overlap).

Financial Analysis

Summaries of the basic financial statements and related commentaries are presented below.

Net Position

Net position is defined by the accounting standards as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. A net deficit occurs when the liabilities and deferred inflows exceed assets and deferred outflows. Deferred inflows and deferred outflows generally relate to financing activity and GLWA's share of the GRS pension obligation.

In total, GLWA ended June 30, 2021 with a \$210.1 million net deficit. This represents the combined net deficit for the water fund of \$97.2 million and \$112.9 million for the sewage disposal fund. The net deficit as of June 30, 2020 was \$221.6 million. This is the combined net deficit of \$96.4 million for the water fund and \$125.2 million for the sewage disposal fund. The improvement in net position for the year ended June 30, 2021 of \$11.4 million was due to a \$12.3 million improvement in the sewer fund offset by a \$0.9 million decrease in the water fund. These amounts are reported in the Statement of Revenues, Expenses, and Changes in Net Position.

There are three general components of a net position or deficit: 1) net investment in capital assets (in its simplest form, capital assets acquired less debt incurred to acquire those assets); 2) restricted (such as legally required bond reserves or net proceeds from bonds restricted for capital spending); and 3) unrestricted. The ending net position (deficit) is the prior year's ending balance plus or minus activity for the year.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

| | Net Position (\$000) | | | | | | |
|---|----------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Assets | | | | | | | |
| Current assets | \$ 1,053,770 | \$ 1,071,116 | \$ 985,511 | \$ (17,346) | -1.6% | \$ 85,604 | 8.7% |
| Restricted assets | 43,929 | 87,325 | 245,164 | (43,396) | -49.7% | (157,838) | -64.4% |
| Capital assets | 4,458,165 | 4,506,699 | 4,635,542 | (48,533) | -1.1% | (128,843) | -2.8% |
| Other noncurrent assets | 980,169 | 1,007,583 | 957,387 | (27,414) | -2.7% | 50,196 | 5.2% |
| Total assets | <u>6,536,034</u> | <u>6,672,723</u> | <u>6,823,603</u> | <u>(136,689)</u> | -2.0% | <u>(150,881)</u> | -2.2% |
| Deferred outflows of resources | <u>225,074</u> | <u>217,097</u> | <u>273,596</u> | <u>7,977</u> | 3.7% | <u>(56,499)</u> | -20.7% |
| Liabilities | | | | | | | |
| Current liabilities | 338,292 | 308,601 | 326,967 | 29,691 | 9.6% | (18,365) | -5.6% |
| Long-term debt | 5,469,009 | 5,627,391 | 5,786,275 | (158,382) | -2.8% | (158,884) | -2.7% |
| Net pension liability | 144,305 | 132,910 | 131,981 | 11,395 | 8.6% | 929 | 0.7% |
| Other liabilities | 923,254 | 932,619 | 944,260 | (9,365) | -1.0% | (11,641) | -1.2% |
| Total liabilities | <u>6,874,860</u> | <u>7,001,521</u> | <u>7,189,483</u> | <u>(126,661)</u> | -1.8% | <u>(187,962)</u> | -2.6% |
| Deferred inflows of resources | <u>96,380</u> | <u>109,876</u> | <u>108,541</u> | <u>(13,496)</u> | -12.3% | <u>1,335</u> | 1.2% |
| Net position | | | | | | | |
| Net investment in capital assets | (302,012) | (351,219) | (228,868) | 49,206 | -14.0% | (122,351) | 53.5% |
| Restricted for debt service | 114,545 | 105,283 | 146,978 | 9,262 | 8.8% | (41,695) | -28.4% |
| Restricted for payment assistance program | 11,043 | 8,988 | 8,001 | 2,055 | 22.9% | 987 | 12.3% |
| Unrestricted (deficit) | (33,707) | 15,370 | (126,936) | (49,078) | -319.3% | 142,306 | -112.1% |
| Total net position | <u>\$ (210,132)</u> | <u>\$ (221,578)</u> | <u>\$ (200,825)</u> | <u>\$ 11,445</u> | -5.2% | <u>\$ (20,753)</u> | 10.3% |

Net investment in capital assets is the largest component of the net position with a deficit balance of \$302 million. The balance on June 30, 2020 was a deficit of \$351.2 million. The improvement for 2021 of \$49.2 million is due to reductions in outstanding debt and increase in capital asset additions being larger than the depreciation expense. The decrease for 2020 of \$122.4 million was due to depreciation expense being larger than the acquisition of assets and repayment of debt. It should be noted that the deficit in the net investment in capital assets is representative of cumulative historical financial impacts carried forward from the predecessor entity. Those primarily related to terminated capital projects which have been subsequently addressed by other projects or approaches to address system needs.

Restricted Net Position for debt service represents amounts that are required by the related MBO or other third-party agreements to be used for the repayment of debt. The total amount restricted at year end was \$114.5 million. The amounts at June 30, 2020 was \$105.3 million. The increase of \$9.3 million from the prior year is due to a change in the amount of certain debt payments due prior to June 30, 2021.

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Restricted Net Position for payment assistance program represents WRAP funds that have not been spent, by the agencies who disburse the funds to those who meet the qualifications for assistance. For payment assistance, a client is in the program for two years. Monies are distributed to the agencies based on cashflow needs. As a result, funds are committed to clients but not disbursed until needed. The total amount restricted at year end was \$11.0 million. This is an increase of \$2.05 million from the prior year total of \$9.0 million. The community action agencies who manage the WRAP funding also received federal and state funding allocations to address client needs as a result of the COVID-19 pandemic. That allowed for WRAP funding to be relied upon less, therefore making it available for subsequent years. In addition, many of the in-home service aspects of WRAP were on hold due to social distancing concerns as a result of the pandemic.

Unrestricted net position (deficit) is generally defined as the net result of the other components of total net position. The unrestricted deficit is \$33.7 million as of June 30, 2021. This is a decrease of \$49.1 from the June 30, 2020 balance of \$15.4 million. Part of this decrease is from the use of unrestricted cash and investments being used to pay for capital expenses in the improvement and extension funds. In FY 2020, the unrestricted account activities contributed to a \$142.3 million increase in unrestricted net position.

Changes in Net Position

The following is a comparative summary of the business-type activities changes in net position for the last three years, followed by a detailed discussion of the significant changes by activity.

| | Changes in Net Position (\$000) | | | | | | |
|--|---------------------------------|--------------|--------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Operating revenues | \$ 815,369 | \$ 800,889 | \$ 801,079 | \$ 14,479 | 1.8% | \$ (190) | 0.0% |
| Operating expenses | 579,460 | 593,153 | 606,545 | (13,693) | -2.3% | (13,392) | -2.2% |
| Operating income | 235,909 | 207,736 | 194,534 | 28,173 | 13.6% | 13,202 | 6.8% |
| Nonoperating expenses | (230,424) | (234,449) | (216,604) | 4,025 | -1.7% | (17,845) | 8.2% |
| Income (loss) before capital contributions | 5,485 | (26,713) | (22,070) | 32,198 | -120.5% | (4,643) | 21.0% |
| Capital contributions | 5,960 | 5,960 | - | - | 0.0% | 5,960 | 100.0% |
| Change in net position | 11,445 | (20,753) | (22,070) | 32,198 | -155.2% | 1,317 | -6.0% |
| Net position, beginning of year | (221,578) | (200,825) | (178,755) | (20,753) | 10.3% | (22,070) | 12.3% |
| Net position, end of year | \$ (210,132) | \$ (221,578) | \$ (200,825) | \$ 11,445 | -5.2% | \$ (20,753) | 10.3% |

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The year ended June 30, 2021 ended with a positive change in net position of \$11.4 million. This is largely due to a number of material, positive variances as compared with the prior year. Revenues increased \$14.5 million and operating expenses decreased \$13.7 million. Nonoperating expenses decreased \$4 million mostly due to a decrease in interest expense of \$25.5 million. Although most of this positive variance was offset by a decrease of \$12.4 million in earnings on investments and decrease of \$11.8 million in the fair value of investments. This decrease in the fair value of investments is not expected to be realized as the Authority holds most investments to maturity.

Water Fund

| Water Fund Changes in Net Position (\$000) | | | | | | | | |
|--|-------------|---------------------------------|-------------|---------------------|----------|---------------------|-------------|---------|
| Fiscal Year | | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | | |
| | 2021 | Percentage of Operating Revenue | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Wholesale customer charges | \$ 322,424 | 93.6% | \$ 312,702 | \$ 311,399 | \$ 9,722 | 3.1% | \$ 1,303 | 0.4% |
| Local system charges | 21,926 | 6.4% | 21,296 | 20,181 | 630 | 3.0% | 1,114 | 5.5% |
| Other revenues | 266 | 0.1% | 256 | 21 | 10 | 3.7% | 235 | 1101.0% |
| Total operating revenues | 344,615 | 100.0% | 334,254 | 331,602 | 10,362 | 3.1% | 2,652 | 0.8% |
| Operating expenses | 250,476 | 72.7% | 263,283 | 263,960 | (12,806) | -4.9% | (677) | -0.3% |
| Operating Income | 94,139 | 27.3% | 70,971 | 67,642 | 23,168 | 32.6% | 3,329 | 4.9% |
| Nonoperating expenses | (94,995) | -27.6% | (90,499) | (84,088) | (4,496) | 5.0% | (6,410) | 7.6% |
| Change in net position | (856) | -0.2% | (19,528) | (16,446) | 18,672 | -95.6% | (3,082) | 18.7% |
| Net position, beginning | (96,410) | | (76,882) | (60,435) | (19,528) | 25.4% | (16,446) | 27.2% |
| Net position, end of year | \$ (97,266) | | \$ (96,410) | \$ (76,882) | \$ (856) | 0.9% | \$ (19,528) | 25.4% |

Operating revenues are primarily from wholesale water charges of \$322.4 million (93.6 percent of Water Fund revenues). The current year increase of 3.1 percent lines up with the budgeted wholesale charge adjustment increase of 3.1 percent even though the charge increase was deferred for 6 months. This resulted in approximately half of the increase related to the charge increase and the other half is related to an increase in volume usage that was partially offset with an increase in bad debt charges of \$1.7 million. There was not much change from 2020 to 2019 as the wholesale customer charge adjustment was budgeted at 0.3 percent.

The revenue from the local system charges of \$21.9 million account for 6.4 percent of the total operating revenue. The increase in 2021 compared to 2020 is based on the budgeted increase of 3 percent which was an "across the board" increase that was used for determining charges in FY 2020. The increase in 2020 local system charges from 2019 is due to increases in max day and peak hour demands which was slightly offset by an adjustment to remove volumes and demands associated with a proposed change in account status for certain GLWA sewer facilities that were previous served as retail customers of DWSD. Pursuant to the terms of the WSSA with DWSD, a \$20.7 million credit is applied against allocated water revenue requirements in the charge methodology. This credit replaces a previous ownership benefit that was in place prior to the Effective Date of the Regional System Lease.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Revenue and charge stability are important goals for GLWA and its member partners. Established via an engaged, collaborative process, the water charge structure is based on the following.

1. 40% is based on the average annual usage for each customer based on their 36 prior months of usage ending September 30th each year
2. 60% is based on fixed monthly charges

Fiscal year 2021 revenue billed was 99.6 percent of the amended budget meeting the goal of revenue stability and was net of the Karegnondi Water Authority (KWA) credit. Fiscal year 2020 revenue billed was 100.5 percent of the amended budget and was net of the KWA credit.

Operating income after operating expenses (including depreciation and amortization) equals \$94 million or 27.3 percent of operating revenue. Operating expenses are detailed below.

| Water Fund Operating Expenses (\$000) | | | | | | | |
|---------------------------------------|---------------------------------|------|------|---------------------|---------|---------------------|---------|
| Fiscal Year | | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| 2021 | Percentage of Operating Revenue | 2020 | 2019 | Amount | Percent | Amount | Percent |

Operating expenses before depreciation and amortization

| | | | | | | | | |
|--|-------------------|---------------|-------------------|-------------------|--------------------|--------------|---------------|--------------|
| Personnel | \$ 43,889 | 17.5% | \$ 43,946 | \$ 42,086 | \$ (57) | -0.1% | \$ 1,861 | 4.4% |
| Contractual services | 40,411 | 16.1% | 46,097 | 43,083 | (5,687) | -12.3% | 3,014 | 7.0% |
| Utilities | 28,828 | 11.5% | 27,720 | 26,248 | 1,108 | 4.0% | 1,472 | 5.6% |
| Chemicals | 6,028 | 2.4% | 5,569 | 5,089 | 459 | 8.2% | 481 | 9.4% |
| Supplies and other expenses | 9,159 | 3.7% | 12,034 | 11,797 | (2,875) | -23.9% | 237 | 2.0% |
| Capital adjustment | - | 0.0% | 27 | - | (27) | -100.0% | 27 | 100.0% |
| Capital program allocation | (2,123) | -0.8% | (2,164) | (2,055) | 41 | -1.9% | (109) | 5.3% |
| Intergovernmental reimbursements | (2,555) | -1.0% | (697) | (6,426) | (1,858) | 266.5% | 5,729 | -89.2% |
| Total operating expenses before depreciation and amortization | 123,638 | 49.4% | 132,533 | 119,822 | (8,895) | -6.7% | 12,711 | 10.6% |
| Depreciation and amortization | 126,838 | 50.6% | 130,750 | 144,138 | (3,912) | -3.0% | (13,388) | -9.3% |
| Total Operating Expenses | \$ 250,476 | 100.0% | \$ 263,283 | \$ 263,960 | \$ (12,806) | -4.9% | (677) | -0.3% |

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Management's Discussion and Analysis

Operating expenses of \$250.4 million represent 72.7 percent of total operating revenue which consists primarily of depreciation and amortization expense and operations and maintenance activities. Depreciation and amortization are the larger category of expense at \$126.8 million or 50.6 percent of operating expense. Given the nature of GLWA's water operations, it is expected that personnel, contractual services, and utilities would represent the higher dollar amount.

Personnel cost variance is mainly due to the change in personnel allocations from both Centralized and Administrative charges. See the Centralized Services and Administrative Services section for a discussion of these variances. This discussion follows the Sewage Disposal Fund discussions.

Contractual services include field services contracts for timely repairs to minimize disruption in service, technology related services for both operational and enterprise data networks, and outsourcing of janitorial, fleet, and other functions. The decrease in contractual services of \$5.7 million from 2021 to 2020 is a result of variances throughout various cost centers. The major variances are detailed below:

- Increase of \$1.2 million in the Field Engineering cost center as a result of a reclass of construction activity for contaminated materials that could not be capitalized. These projects were for the betterment of the system and therefore paid with I&E funds.
- Decrease of \$1.9 million at the Southwest water plant for reduced activity of sludge removal.
- Decrease of \$3.4 million for year-end adjustment to the legal accrual (\$2.0 million) and a decrease of legal services during the fiscal year (\$1.4 million).
- Decrease of \$3.1 million related to a credit received from AT&T for overcharges on telecom services that were not billed at the contract rate.
- Increase of \$1.5 million for transfer of low voltage wiring contract from Information Technology (Administrative Services).

Contractual services increased \$3.0 million from 2020 to 2019 as a result of variances throughout multiple cost centers. The major variances which total \$1.7 million are detailed below:

- Decrease of \$1.9 million in the Field Services cost center as a result of a true up of construction activity reclass of \$1.0 million in 2019 and decreased costs of \$ 0.9 million for the 14 Mile water main condition assessment pilot study. Both of these projects were for the betterment of the system and therefore paid with I&E funds rather than operating expenses.
- Decrease of \$4.5 million at Springwells and Northeast water plants for reduced activity of sludge removal.
- Increase of \$8.1 million in allocated contractual centralized services. See the Centralized Services and Administrative Services section for a discussion of these variances. That discussion follows the Sewage Disposal Fund discussions.

The decrease in the supplies and other expenses of \$2.9 million is due to a decrease in the utilization of the low voltage wiring contract.

The increase of \$1.9 million in intergovernmental reimbursements is mostly due to a decrease in the amount of shared service true up recorded compared to 2020. The \$5.7 million decrease in the 2020 intergovernmental reimbursements relates to shared services in which a \$4 million true up decrease for prior year shared services was recorded. The remaining decrease is due to less services required by DWSD.

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Management's Discussion and Analysis

| Water Fund Nonoperating Revenue (Expenses) (\$000) | | | | | | | | |
|--|---------------------------------|---------------|-----------------|---------------------|----------------|---------------------|----------------|-------------|
| Fiscal Year | | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | | |
| 2021 | Percentage of Operating Revenue | 2020 | 2019 | Amount | Percent | Amount | Percent | |
| Earnings on Investments | \$ 769 | -0.8% | \$ 13,745 | \$ 14,754 | \$ (12,976) | -94.4% | \$ (1,010) | -6.8% |
| Interest on obligations receivable | 25,475 | -26.8% | 22,946 | 22,921 | 2,529 | 11.0% | 24 | 0.1% |
| Interest expense | (128,257) | 135.0% | (133,538) | (136,704) | 5,280 | -4.0% | 3,166 | -2.3% |
| Legacy pension income (expense) | (8,075) | 8.5% | (7,221) | 6,014 | (855) | 11.8% | (13,235) | -220.1% |
| Other | 15,094 | -15.9% | 13,569 | 8,925 | 1,525 | 11.2% | 4,644 | 52.0% |
| Total Nonoperating Expenses | (94,995) | 100.0% | (90,499) | (84,088) | (4,496) | 5.0% | (6,410) | 7.6% |

Net nonoperating expense of \$95 million is primarily related to interest expense of \$128.3 million. The interest expense from debt service is \$106.3 million with the remainder related to the Regional Water System Lease, obligation payable and raw water rights obligation. The largest offset to the nonoperating expense is interest revenue on the obligations receivable of \$25.5 million, which is related to the terms of the Regional Water System Lease.

As a result of the short-term nature of the GLWA portfolio, it is heavily impacted by changes in the Fed Funds interest rate. Earnings started to drop in 2020 as the Federal Reserve cut the Fed Funds interest rate to 0 percent in March 2020. The \$13 million drop in earnings for 2021 reflects the low interest rate environment for investing funds.

The decrease in interest expense in 2021 and 2020 is a result of a reduction in long term debt as well as the savings being realized from bond refunding transactions in 2016, 2018 and 2020.

The legacy pension expense increase in 2021 is mainly related to a decrease in investment earnings on the plan assets to offset the expenses. The expense increase for 2020 is a result of income being realized in 2019 versus an expense. The main reason for the income in 2019 was a change in actuarial assumptions that decreased the total pension liability. Investment earnings also significantly decreased in 2020.

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Management's Discussion and Analysis

Sewage Disposal Fund

| Sewage Disposal Fund Changes in Net Position (\$000) | | | | | | | | |
|--|---------------------------------|--------|--------------|---------------------|-----------|---------------------|------------|--------|
| Fiscal Year | | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | | |
| 2021 | Percentage of Operating Revenue | 2020 | 2019 | Amount | Percent | Amount | Percent | |
| Wholesale customer charges | \$ 267,568 | 56.8% | \$ 266,003 | \$ 272,772 | \$ 1,565 | 0.6% | \$ (6,769) | -2.5% |
| Local system charges | 187,960 | 39.9% | 185,807 | 181,159 | 2,152 | 1.2% | 4,648 | 2.6% |
| Industrial waste charges | 8,005 | 1.7% | 7,855 | 9,106 | 150 | 1.9% | (1,252) | -13.7% |
| Pollutant surcharges | 6,720 | 1.4% | 6,449 | 5,933 | 271 | 4.2% | 516 | 8.7% |
| Other revenues | 501 | 0.1% | 522 | 506 | (21) | -4.0% | 16 | 3.1% |
| Total operating revenues | 470,754 | 100.0% | 466,636 | 469,477 | 4,118 | 0.9% | (2,841) | -0.6% |
| Operating expenses | 328,983 | 69.9% | 329,870 | 342,585 | (887) | -0.3% | (12,715) | -3.7% |
| Operating Income | 141,770 | 30.1% | 136,765 | 126,892 | 5,005 | 3.7% | 9,873 | 7.8% |
| Nonoperating expenses | (135,429) | -28.8% | (143,950) | (132,515) | 8,521 | -5.9% | (11,435) | 8.6% |
| Income (loss) before contributions and special item | 6,341 | 1.3% | (7,185) | (5,624) | 13,526 | -188.3% | (1,561) | 27.8% |
| Capital contributions | 5,960 | 1.3% | 5,960 | - | - | 0.0% | 5,960 | 100.0% |
| Change in net position | 12,301 | 2.6% | (1,225) | (5,624) | 13,526 | -1104.2% | 4,399 | -78.2% |
| Net position, beginning | (125,168) | | (123,943) | (118,319) | (1,225) | 1.0% | (5,624) | 4.8% |
| Net position, end of year | \$ (112,867) | | \$ (125,168) | \$ (123,943) | \$ 12,301 | -9.8% | \$ (1,225) | 1.0% |

Operating revenues are primarily from wholesale sewer charges of \$267.6 million (56.8 percent of Sewage Disposal Fund revenues). The increase in 2021 is related to the charge increase of 1.7 percent for wholesale customers that was delayed six months resulting an increase of 0.85 percent. There was also an increase in bad debt charges of approximately \$265,000. The decrease from 2020 to 2019 in the wholesale customer charges is a result of a credit to a member on their wholesale charges of \$5.9 million for a capital contribution as shown on the capital contribution line item. The decrease also relates to an increase in bad debt charges of approximately \$518,000.

The revenue from local system charges of \$188 million account for 39.9 percent of total operating revenues. The variances in the local system charges line up with half of the budgeted increases of 2.3 percent for 2021 as the charges were delayed six months due to the pandemic. For 2020, the 2.5 percent increase matches the budget increase in charges. Pursuant to the terms of the WSSA with DWSD, a \$5.516 million credit is applied against sewer charges in the charge methodology. This credit replaces a previous contractual arrangement that was in place prior to the Effective Date of the Regional System.

Industrial waste charges and pollutant surcharges represent 3.1 percent of operating revenue which are charged to non-residential users. The decrease in the industrial waste charges for 2020 are due to decreases made in the charges.

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Wholesale contract charges are based on a “share” percentage of the annual revenue requirement billed one-twelfth each month. The shares are established based upon historical flows and are formally revisited every three years. The result is no revenue shortfall or overestimation.

Operating income after operating expenses (including depreciation and amortization) equals \$141.8 million or 30.1 percent of operating revenue. Operating expenses are detailed below.

| Sewage Disposal Fund Operating Expenses (\$000) | | | | | | | | |
|---|---------------------------------|--------|------------|---------------------|----------|---------------------|-------------|---------|
| Fiscal Year | | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | | |
| 2021 | Percentage of Operating Revenue | 2020 | 2019 | Amount | Percent | Amount | Percent | |
| Operating expenses before depreciation | | | | | | | | |
| Personnel | \$ 63,056 | 19.2% | \$ 60,320 | \$ 56,503 | \$ 2,735 | 4.5% | \$ 3,817 | 6.8% |
| Contractual services | 62,913 | 19.1% | 63,351 | 58,661 | (438) | -0.7% | 4,690 | 8.0% |
| Utilities | 23,921 | 7.3% | 23,433 | 25,148 | 488 | 2.1% | (1,715) | -6.8% |
| Chemicals | 7,954 | 2.4% | 8,672 | 8,187 | (718) | -8.3% | 485 | 5.9% |
| Supplies and other expenses | 21,938 | 6.7% | 23,393 | 25,324 | (1,455) | -6.2% | (1,931) | -7.6% |
| Capital adjustment | - | 0.0% | - | 2,258 | - | 0.0% | (2,258) | -100.0% |
| Capital program allocation | (1,069) | -0.3% | (1,183) | (1,326) | 115 | -9.7% | 142 | -10.7% |
| Intergovernmental reimbursements | (612) | -0.2% | (1,037) | (714) | 425 | -41.0% | (323) | 45.3% |
| Total operating expenses before depreciation | 178,101 | 54.1% | 176,949 | 174,041 | 1,152 | 0.7% | 2,909 | 1.7% |
| Depreciation and amortization | 150,882 | 45.9% | 152,921 | 168,544 | (2,039) | -1.3% | (15,623) | -9.3% |
| Total Operating Expenses | \$ 328,983 | 100.0% | \$ 329,870 | \$ 342,585 | \$ (887) | -0.3% | \$ (12,715) | -3.7% |

Operating expenses of \$328.9 million represent 69.9 percent of total operating revenue which consists primarily of depreciation and amortization expense and operations and maintenance activities. Depreciation and amortization is the larger category of expense at \$150.9 million or 45.9 percent of operating expense. Given the nature of GLWA’s wastewater operations, it is expected that personnel, contractual services, and utilities would represent the higher dollar amount.

Personnel cost increases in 2021 and 2020 are mainly due to increase in the allocation from both Centralized and Administrative charges. See the Centralized Services and Administrative Services section for a discussion of these variances. This discussion follows the Sewage Disposal Fund discussions.

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Contractual services include operation and management of the Biosolids Dryer Facility (BDF), timely repairs for the Water Resources Recovery Facility (WRRF), staff augmentation for operations, technology related services for both operational and enterprise data networks, and outsourcing of janitorial, fleet, and other functions. Contractual services decreased \$.4 million in 2021 which is mainly due to the following:

- Decrease of \$2.0 million due to various contract reductions in the following cost centers: Wastewater Operations, Wastewater Primary Process, Wastewater Secondary Process, Combined Sewer Overflow.
- Increase of \$1.7 million in the year-end claims & judgements accrual.

Contractual services increased \$4.7 million in 2020 which is due to the following:

- Increase of \$2.2 million for CSO condition assessment beginning in 2020.
- Decrease of \$1.9 million due to various contract reductions in the following cost centers: Chief Operating Officer Wastewater, Wastewater Operations, Wastewater Process Control and Baby Creek Combined Sewer Overflow.
- Increase of \$4.4 million in allocated contractual centralized services. See the Centralized Services and Administrative Services section for a discussion of these variances. This discussion follows the Sewage Disposal Fund discussions.

The supplies and other expenses decreased of \$1.5 million in 2021 mainly due to the following:

- Increase of \$0.9 million due to increase in repair work at the following cost centers: Wastewater Primary Process and Wastewater Incineration Process.
- Decrease of \$2.5 million in allocated supplies and other centralized services. See the Centralized Services and Administrative Service section for a discussion of these variances. This discussion follows the Sewage Disposal Funds discussions.

The supplies and other expenses decrease of \$1.9 million in 2020 is mainly due to inventory reserve adjustments.

The Capital adjustment in 2019 relates to projects, generally design phase engineering costs, which did not move into the construction phase and were expensed to operations.

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Management's Discussion and Analysis

| Sewer Fund Nonoperating Revenue (Expenses) (\$000) | | | | | | | | |
|--|---------------------------------|--------|------------------|---------------------|--------------|---------------------|-----------------|---------|
| Fiscal Year | | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | | |
| 2021 | Percentage of Operating Revenue | 2020 | 2019 | Amount | Percent | Amount | Percent | |
| Earnings on Investments | \$ 491 | -0.4% | \$ 11,672 | \$ 11,763 | \$ (11,181) | -95.8% | \$ (91) | -0.8% |
| Interest on loan and obligations receivable | 18,248 | -13.5% | 19,489 | 18,856 | (1,241) | -6.4% | 633 | 3.4% |
| Interest expense | (135,228) | 99.9% | (155,410) | (159,893) | 20,183 | -13.0% | 4,483 | -2.8% |
| Legacy pension income (expense) | (14,453) | 10.7% | (12,923) | 10,764 | (1,530) | 11.8% | (23,687) | -220.1% |
| Sewer lookback-MOU adjustment | - | 0.0% | - | (6,527) | - | 0.0% | 6,527 | 100.0% |
| Other | (4,487) | 3.3% | (6,778) | (7,478) | 2,291 | -33.8% | 700 | -9.4% |
| Total Nonoperating Expenses | <u>(135,429)</u> | 100.0% | <u>(143,950)</u> | <u>(132,515)</u> | <u>8,521</u> | -5.9% | <u>(11,435)</u> | 8.6% |

Net nonoperating expense of \$135.4 million is primarily related to \$135.2 million of interest expense. Interest expense from debt service is \$112.6 million with the remainder related to the Regional Sewage Disposal Lease, obligation payable and lease for the right to use asset. The largest offset to the expense is interest revenue of \$18.2 million on the loan and obligations receivable, which is related to the terms of the Regional Sewage Disposal Lease.

As a result of the short-term nature of the GLWA portfolio, it is heavily impacted by changes in the Fed Funds interest rate. Earnings started to drop in 2020 as the Federal Reserve cut the Fed Funds interest rate to 0 percent in March 2020. The \$11.1 million drop in earnings for 2021 reflects the low interest rate environment for investing funds.

Interest earnings on loan and obligation receivable have decreased for 2021 as the principal balances are being paid down. The earnings increased in 2020 due to increases in the obligation receivable related to additional new money bonds and SRF loans and the loan receivable from DWSD due to budget shortfalls.

The decrease in interest expense in 2021 and 2020 is a result of a reduction in long term debt as well as the savings being realized from bond refunding transactions in 2016, 2018 and 2020.

The legacy pension expense increase in 2021 is mainly related to a decrease in investment earnings on the plan assets to offset the expenses. The expense increase for 2020 is a result of income being realized in 2019 versus an expense. The main reason for the income in 2019 was a change in actuarial assumptions that decreased the total pension liability. Investment earnings also significantly decreased in 2020.

The sewer lookback-MOU adjustment in 2019 was a one-time charge which was part of the 2018 MOU with DWSD.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Centralized Services and Administrative Services

The following table summarizes the activity for centralized services and administrative services.

| Centralized and Administrative Services (\$000) | | | | | | | | | | | |
|---|------------------|-------------------|---------------------|--------------------|--------|--------------------|---------------------|---------------------|--------------|------------------|-----------------|
| Fiscal Year | | | Change 2021 vs 2020 | | | | Change 2020 vs 2019 | | | | |
| | | | 2021 | 2020 | 2019 | Amount | Percent | Variance Allocation | | Amount | Percent |
| Water | Sewer | Water | | | | | | Sewer | | | |
| Centralized Services | | | | | | | | | | | |
| Personnel | \$ 30,318 | \$ 28,798 | \$ 24,965 | 1,520 | 5.3% | \$ (766) | \$ 2,286 | 3,833 | 15.4% | \$ 1,585 | \$ 2,248 |
| Contractual services | 48,802 | 59,999 | 47,550 | (11,198) | -18.7% | (8,228) | (2,969) | 12,450 | 26.2% | 8,094 | 4,356 |
| Utilities | 136 | 66 | 168 | 70 | 106.3% | 36 | 34 | (103) | -60.9% | (52) | (50) |
| Supplies and other expenses | 8,873 | 13,836 | 12,505 | (4,962) | -35.9% | (2,484) | (2,479) | 1,330 | 10.6% | 754 | 577 |
| Total Centralized Services | \$ 88,129 | \$ 102,699 | \$ 85,188 | \$ (14,570) | | \$ (11,442) | \$ (3,128) | \$ 17,511 | 20.6% | \$ 10,380 | \$ 7,130 |
| Administrative Services | | | | | | | | | | | |
| Personnel | \$ 17,823 | \$ 17,629 | \$ 13,746 | \$ 194 | 1.1% | \$ 97 | \$ 97 | \$ 3,883 | 28.2% | \$ 1,942 | \$ 1,942 |
| Contractual services | 6,524 | 10,126 | 10,134 | (3,602) | -35.6% | (1,801) | (1,801) | (8) | -0.1% | (4) | (4) |
| Utilities | 24 | 28 | 60 | (4) | -14.6% | (2) | (2) | (31) | -52.6% | (16) | (16) |
| Supplies and other expenses | 846 | 1,173 | 1,180 | (327) | -27.9% | (223) | (104) | (7) | -0.6% | (3) | (3) |
| Total Administrative Services | \$ 25,217 | \$ 28,956 | \$ 25,119 | \$ (3,739) | | \$ (1,929) | \$ (1,810) | \$ 3,837 | 15.3% | \$ 1,918 | \$ 1,918 |

Centralized services personnel costs increased \$1.5 million in 2021. This increase is mostly driven by the change in staffing in 2020, which occurred throughout 2020, with more increases in the latter half of 2020, therefore a full year increase in 2021 and a partial year increase in 2020. In 2020 centralized services personnel cost increased \$3.8 million and administrative services personnel cost increased \$3.9 million. There was an increase in staff of 7 employees in the centralized services cost center, four of these were in the HazMat group. The HazMat group is charged 100% to the sewer fund based on the nature of their services which is why more of the personnel increase is allocated to sewer. The administrative services cost center had an increase of 5 employees in 2020. Overall employee benefit costs also increased in 2020.

Centralized contractual services decreased \$11.2 million in 2021. The major variances which total \$10.7 million are detailed below:

- Decrease of \$1.6 million related to COVID-19 deep cleaning performed at various GLWA facilities.
- Decrease of \$1.6 million in Fleet Operations for the cancellation of the fleet management shared services agreement (OPS-001) with DWSD. GLWA assumed the fleet management responsibility beginning July 2020 (FY 2021),
- Decrease of \$3.1 million related to a credit received from AT&T for overcharges on telecom services that were not billed at the contract rate.
- Decrease of \$1.4 million in Systems Planning upon completion of the Wastewater Master Plan in FY 2020.
- Decrease of \$3.0 million in Capital Improvement Planning with the operations & maintenance work wrapping up AECOM Contract (CS-272). The work is now shifting to Capital.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Centralized contractual services increased \$12.4 million in 2020. The major variances which total \$10.2 million are detailed below:

- Increase of \$6.7 million in Capital Improvement Planning due to a full year of activity from AECOM.
- Increase of \$5.0 million is due to an AT&T contract renewal credit (\$1.3 million) received in FY 2019 and increase in billing rate for AT&T AVPN services.
- Increase of \$1.7 million related to COVID-19 deep cleaning performed at various GLWA facilities.
- Increase of \$1.5 million for increase in legal services.
- Decrease of \$2.1 million in Systems Planning upon completion of the Wastewater Master Plan in FY 2020.
- Decrease of \$1.3 million in Systems Analytics with more engineering work performed in house.
- Decrease of \$1.3 million resulting from reduced IT needs related to our human resources information services system.

Administrative contractual services decreased \$3.6 million in 2021. The majority of this decrease was due to a decrease of the claims and adjustment accrual of \$2.1 million and a decrease of legal services during the fiscal year of \$1.4 million.

Capital Assets and Debt Administration

GLWA's investment in capital assets is \$4.5 billion (net of accumulated depreciation) with \$1.9 billion assigned to the Water Fund and \$2.6 billion assigned to the Sewage Disposal Fund. The investment in capital assets includes land, buildings, plants, transmission lines, vehicles, machinery and equipment, raw water rights and right to use assets. Total net capital assets decreased in 2020 and increased in 2021. The net decrease is primarily attributable to depreciation in excess of current year additions for 2020 and current year additions in excess of depreciation for 2021. See Note 10 to the financial statements for more information on capital assets. The Authority implemented GASB 89 during FY 2018 and no longer capitalizes interest expense.

| | Capital Assets, Net (\$'000) | | | | | | |
|---|------------------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Land | \$ 62,311 | \$ 61,801 | \$ 62,814 | \$ 509 | 0.8% | \$ (1,012) | -1.6% |
| Easements | 355,202 | 354,844 | 354,844 | 358 | 0.1% | - | 0.0% |
| Construction in progress | 395,973 | 303,220 | 368,748 | 92,753 | 30.6% | (65,527) | -17.8% |
| Site improvements | 58,815 | 69,475 | 60,998 | (10,660) | -15.3% | 8,477 | 13.9% |
| Buildings and structures | 1,322,619 | 1,378,065 | 1,410,654 | (55,446) | -4.0% | (32,588) | -2.3% |
| Infrastructure | 1,002,945 | 1,040,603 | 1,055,039 | (37,658) | -3.6% | (14,436) | -1.4% |
| Machinery and equipment | 1,144,125 | 1,186,649 | 1,215,919 | (42,524) | -3.6% | (29,270) | -2.4% |
| Vehicles | 7,077 | 3,477 | 2,000 | 3,600 | 103.5% | 1,478 | 73.9% |
| Leasehold improvements | 10,444 | 10,777 | 3,175 | (333) | -3.1% | 7,602 | 239.5% |
| Intangible assets | 98,653 | 97,786 | 101,353 | 867 | 0.9% | (3,567) | -3.5% |
| Total capital assets (net of depreciation and amortization) | <u>\$ 4,458,165</u> | <u>\$ 4,506,699</u> | <u>\$ 4,635,542</u> | <u>\$ (48,533)</u> | -1.1% | <u>\$ (128,843)</u> | -2.8% |

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Water Fund

There are ten major categories used for classification of capital assets for financial reporting purposes.

| Water Fund Capital Assets (\$000) | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Land | \$ 34,168 | \$ 34,167 | \$ 34,167 | \$ 1 | 0.0% | \$ - | 0.0% |
| Easements | 258,990 | 258,632 | 258,632 | 358 | 0.1% | - | 0.0% |
| Construction in progress | 204,853 | 126,198 | 175,031 | 78,656 | 62.3% | (48,834) | -27.9% |
| Site improvements | 84,054 | 83,676 | 75,141 | 378 | 0.5% | 8,535 | 11.4% |
| Buildings and structures | 592,347 | 584,306 | 570,825 | 8,041 | 1.4% | 13,481 | 2.4% |
| Infrastructure | 668,117 | 654,216 | 625,948 | 13,901 | 2.1% | 28,268 | 4.5% |
| Machinery and equipment | 714,473 | 681,906 | 614,917 | 32,568 | 4.8% | 66,989 | 10.9% |
| Vehicles | 5,070 | 3,217 | 2,348 | 1,852 | 57.6% | 869 | 37.0% |
| Leasehold improvements | 8,407 | 8,062 | 499 | 345 | 4.3% | 7,562 | 1514.0% |
| Intangible assets | 107,000 | 107,000 | 107,000 | - | 0.0% | - | 0.0% |
| Accumulated depreciation and amortization | (760,694) | (634,467) | (504,560) | (126,227) | 19.9% | (129,907) | 25.7% |
| Total water fund capital assets (net of depreciation and amortization) | <u>\$ 1,916,784</u> | <u>\$ 1,906,912</u> | <u>\$ 1,959,948</u> | <u>\$ 9,872</u> | 0.5% | <u>\$ (53,036)</u> | -2.7% |

Water Fund additions in 2021 and 2020 were mainly due to transfers out of construction in progress to the applicable asset category. Total additions in FY 2021 to construction in progress was \$129.8 million and transfers out of \$51.2 million. The total additions in FY 2020 to the construction in progress were \$76.3 million with \$125.1 million transferred to capital assets. The table below summarizes major projects for the last two years. Comprehensive project plan details can be found within Capital Improvement Plan documents available at <https://www.glwater.org/cip/>.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

| Water Fund (millions) | | | | | | | | |
|-----------------------|--|--------------------------|-----------------------|--------------|----------|-------------------|---------|------------------|
| Project Number | Description | Expected Completion Date | Project Plan Estimate | Expenditures | | Placed in Service | | CIP at 6/30/2021 |
| | | | | FY 2020 | FY 2021 | FY 2020 | FY 2021 | |
| 116002 | Pennsylvania, Springwells and Northeast Raw Water Supply Tunnel Improvements | FY 2026 | \$ 94.9 | \$ 8.3 | \$ 12.1 | \$ - | \$ 4.7 | \$ 25.9 |
| 122003 | Water Works Park to Northeast Transmission Main | FY 2028 | 143.2 | 2.6 | 16.1 | - | - | 21.3 |
| 114011 | Springwells Water Treatment Plant Steam, Condensate Return, and Compressed Air Piping Improvements | FY 2023 | 25.5 | 0.8 | 8.4 | - | - | 18.5 |
| 122006 | Wick Road Water Transmission Main | FY 2022 | 22.4 | 5.5 | 11.2 | - | - | 17.1 |
| 114002 | Springwells Water Treatment Plant, Low-Lift and High-Lift Pumping Station Improvements | FY 2031 | 224.2 | 3.4 | 7.4 | - | - | 12.9 |
| 170801 | Reservoir Inspection, Design and Construction Project at Imlay Station, Lake Huron Water Treatment Plant, Springwells Water Treatment Plant, And Southwest Water Treatment Plant | FY 2023 | 15.1 | 2.2 | 8.8 | - | - | 11.5 |
| 111002 | Lake Huron Water Treatment Plant, Miscellaneous Mechanical HVAC Improvements | FY 2021 | 8.7 | 1.7 | - | - | 8.6 | - |
| 114003 | Water Production Flow Metering Improvements at Northeast, Southwest and Springwells Water Treatment Plants | FY 2021 | 8.2 | 1.9 | - | - | 8.2 | - |
| 122011 | Park-Merriman Road Water Transmission Main | FY 2022 | 9.6 | 4.2 | 2.7 | - | 6.4 | 0.3 |
| 114001 | Springwells Water Treatment Plant, 1958 Filter Rehabilitation and Auxiliary Facilities Improvements | FY 2020 | 80.8 | 3.1 | - | 77.0 | - | - |
| 122001 | Parallel 42-Inch Main in 24 Mile Road from Rochester Station to Romeo Plank Road | FY 2020 | 33.2 | - | - | 33.2 | - | - |
| 115004 | Water Works Park Water Treatment Plant Chlorine System Upgrade | FY 2020 | 6.9 | 0.3 | - | 7.0 | - | - |
| | Other projects | | | 42.3 | 63.1 | 7.9 | 23.3 | 97.4 |
| | Total | | | \$ 76.3 | \$ 129.8 | \$ 125.1 | \$ 51.2 | \$ 204.9 |

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Sewage Disposal Fund

There are ten major categories used for classification of capital assets for financial reporting purposes.

| Sewage Disposal Fund Capital Assets (\$000) | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Land | \$ 28,143 | \$ 27,635 | \$ 28,647 | \$ 508 | 1.8% | \$ (1,012) | -3.5% |
| Easements | 96,211 | 96,211 | 96,211 | - | 0.0% | - | 0.0% |
| Construction in progress | 191,120 | 177,023 | 193,717 | 14,097 | 8.0% | (16,694) | -8.6% |
| Site improvements | 51,661 | 51,283 | 39,621 | 378 | 0.7% | 11,662 | 29.4% |
| Buildings and structures | 1,156,500 | 1,156,169 | 1,138,611 | 331 | 0.0% | 17,558 | 1.5% |
| Infrastructure | 619,819 | 619,049 | 609,684 | 770 | 0.1% | 9,366 | 1.5% |
| Machinery and equipment | 1,311,291 | 1,242,297 | 1,188,043 | 68,994 | 5.6% | 54,255 | 4.6% |
| Vehicles | 5,954 | 3,622 | 2,590 | 2,332 | 64.4% | 1,032 | 39.9% |
| Leasehold improvements | 3,137 | 3,066 | 2,801 | 71 | 2.3% | 265 | 9.5% |
| Intangible assets | 4,544 | - | - | 4,544 | 100.0% | - | 0.0% |
| Accumulated depreciation and amortization | (926,999) | (776,568) | (624,330) | (150,431) | 19.4% | (152,238) | 24.4% |
| Total sewage disposal fund capital assets (net of depreciation and amortization) | <u>\$ 2,541,381</u> | <u>\$ 2,599,786</u> | <u>\$ 2,675,593</u> | <u>\$ (58,406)</u> | -2.2% | <u>\$ (75,807)</u> | -2.8% |

Sewage Disposal Fund additions in 2021 and 2020 were mainly due to transfers out of construction in progress to the applicable asset category. Total additions for FY 2021 to construction in progress was \$81.5 million and transfers out of \$67.4 million. The total additions for FY 2020 to the construction in progress were \$73.8 million with \$90.5 million transferred to capital assets. Much of the activity for the year is related to the water resource recovery facility (WRRF). The table below summarizes major projects for the last two years. Comprehensive project plan details can be found within Capital Improvement Plan documents available at <https://www.gjwater.org/cip/>.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

| Sewage Disposal Fund (millions) | | | | | | | | |
|---------------------------------|---|--------------------------|-----------------------|--------------|---------|-------------------|---------|------------------|
| Project Number | Description | Expected Completion Date | Project Plan Estimate | Expenditures | | Placed in Service | | CIP at 6/30/2021 |
| | | | | FY 2020 | FY 2021 | FY 2020 | FY 2021 | |
| 222002 | Detroit River Interceptor (DRI) Evaluation and Rehabilitation | FY 2027 | \$ 72.8 | \$ 9.5 | \$ 16.9 | \$ - | \$ - | \$ 37.1 |
| 232001 | Fairview Pumping Station - Replace Four Sanitary Pumps | FY 2022 | 40.1 | 1.7 | 16.1 | - | - | 30.4 |
| 211004 | WRRF PS #1 Rack & Grit and MPI Sampling Station 1 Improvements | FY 2021 | 23.3 | 1.1 | 0.3 | - | - | 27.9 |
| 213007 | WRRF Modification to Incinerator Sludge Feed Systems at Complex -II | FY 2022 | 22.2 | 6.1 | 3.2 | - | - | 20.1 |
| 214001 | WRRF Relocation of Industrial Waste Control Division and Analytical Laboratory Operations | FY 2021 | 12.7 | 8.3 | 3.6 | - | - | 11.9 |
| 260201 | CON-149, Emergency Sewer Rehabilitation | FY 2022 | 32.3 | 5.5 | 9.6 | 9.4 | - | 10.6 |
| 211001 | Rehabilitation of Primary Clarifiers, Rectangular Tanks, Drain Lines, Electrical/Mechanical Building and Pipe Gallery | FY 2021 | 54.1 | 7.5 | 1.9 | - | 54.7 | - |
| 232002 | Freud & Conner Creek Pump Station Improvements | FY 2029 | 229.3 | 1.7 | 3.2 | - | 5.9 | 4.6 |
| 260504 | Phase 2 Outfalls | FY 2021 | 5.1 | 2.2 | 2.7 | - | 4.9 | - |
| 212002 | WRRF Rouge River Outfall (RRO) Disinfection Design | FY 2020 | 10.8 | - | - | 10.8 | - | - |
| 212003 | WRRF Aeration System Improvements | FY 2020 | 14.6 | 0.2 | - | 16.5 | - | - |
| 212006 | WRRF Rouge River Outfall (RRO) Disinfection (Alternative) | FY 2020 | 43.8 | 2.1 | - | 43.8 | - | - |
| | Other projects | | | 27.9 | 24.0 | 10.0 | 1.9 | 48.5 |
| Total | | | | \$ 73.8 | \$ 81.5 | \$ 90.5 | \$ 67.4 | \$ 191.1 |

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Long-term Debt

The Authority's long-term debt consists of revenue bonds and loans as well as an obligation payable related to the City of Detroit's Financial Recovery bonds and a liability related to raw water rights that the Authority will own at the end of the agreement. See Note 13 for a complete analysis of the long-term debt. The following analysis focuses on the revenue bonds and loans. At year-end, the Authority had \$5.2 billion of long-term debt for revenue bonds, including capital appreciation bonds and state revolving fund loans. Of the total, \$2.3 billion is assigned to the Water System and \$2.9 billion is assigned to the Sewage Disposal System.

| | Revenue Bonds and Loans (\$000) | | | | | | |
|-------------------------------|---------------------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Revenue bonds | \$ 4,707,965 | \$ 4,840,155 | \$ 4,824,710 | \$ (132,190) | -2.7% | \$ 15,445 | 0.3% |
| Capital appreciation bonds | 5,675 | 11,335 | 14,780 | (5,660) | -49.9% | (3,445) | -23.3% |
| State revolving loans | 488,027 | 488,985 | 504,038 | (958) | -0.2% | (15,053) | -3.0% |
| Total revenue bonds and loans | <u>\$ 5,201,667</u> | <u>\$ 5,340,475</u> | <u>\$ 5,343,528</u> | <u>\$ (138,808)</u> | -2.6% | <u>\$ (3,053)</u> | -0.1% |

Water Fund

The total outstanding debt for the Water System is \$2.3 billion, decreasing by \$37.5 million from the prior year.

Approximately 3.2 percent of the total indebtedness is issued through the State of Michigan revolving fund loan program for the benefit of the Water System. The Water System received \$35.9 million in new state revolving fund loans and received \$2.0 million in loan forgiveness. The amount of state revolving fund loans pass-through to DWSD for local system improvements was \$15.7 million as well as the \$2.0 million in loan forgiveness.

| | Water Fund Revenue Bonds and Loans (\$000) | | | | | | |
|-------------------------------|--|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Revenue bonds | \$ 2,192,510 | \$ 2,261,935 | \$ 2,220,320 | \$ (69,425) | -3.1% | \$ 41,615 | 1.9% |
| State revolving loans | 71,260 | 39,318 | 29,861 | 31,942 | 81.2% | 9,457 | 31.7% |
| Total revenue bonds and loans | <u>\$ 2,263,770</u> | <u>\$ 2,301,253</u> | <u>\$ 2,250,181</u> | <u>\$ (37,483)</u> | -1.6% | <u>\$ 51,072</u> | 2.3% |

Repayment of GLWA bonds issued are funded by charges to all member partners. Repayment of the debt service assigned to DWSD for Local System improvements are paid from retail customer collections by DWSD.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Sewage Disposal Fund

The total outstanding debt for the Sewage Disposal System is \$2.9 billion, decreasing by \$101.3 million from the prior year.

Approximately 14.2 percent of the total indebtedness is issued through the State of Michigan revolving fund loan program for the benefit of the Sewage Disposal System. The Sewage Disposal System received \$17.3 million in new state revolving fund loans.

| Sewage Disposal Fund Revenue Bonds and Loans (\$000) | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------|---------------------|---------|
| | Fiscal Year | | | Change 2021 vs 2020 | | Change 2020 vs 2019 | |
| | 2021 | 2020 | 2019 | Amount | Percent | Amount | Percent |
| Revenue bonds | \$ 2,515,455 | \$ 2,578,220 | \$ 2,604,390 | \$ (62,765) | -2.4% | \$ (26,170) | -1.0% |
| Capital appreciation bonds | 5,675 | 11,335 | 14,780 | (5,660) | -49.9% | (3,445) | -23.3% |
| State revolving loans | 416,768 | 449,667 | 474,177 | (32,899) | -7.3% | (24,510) | -5.2% |
| Total revenue bonds and loans | <u>\$ 2,937,898</u> | <u>\$ 3,039,222</u> | <u>\$ 3,093,347</u> | <u>\$ (101,324)</u> | -3.3% | <u>\$ (54,125)</u> | -1.7% |

Repayment of GLWA bonds issued are funded by charges to all member partners. Repayment of the debt service assigned to DWSD for Local System improvements is paid from retail customer collections by DWSD.

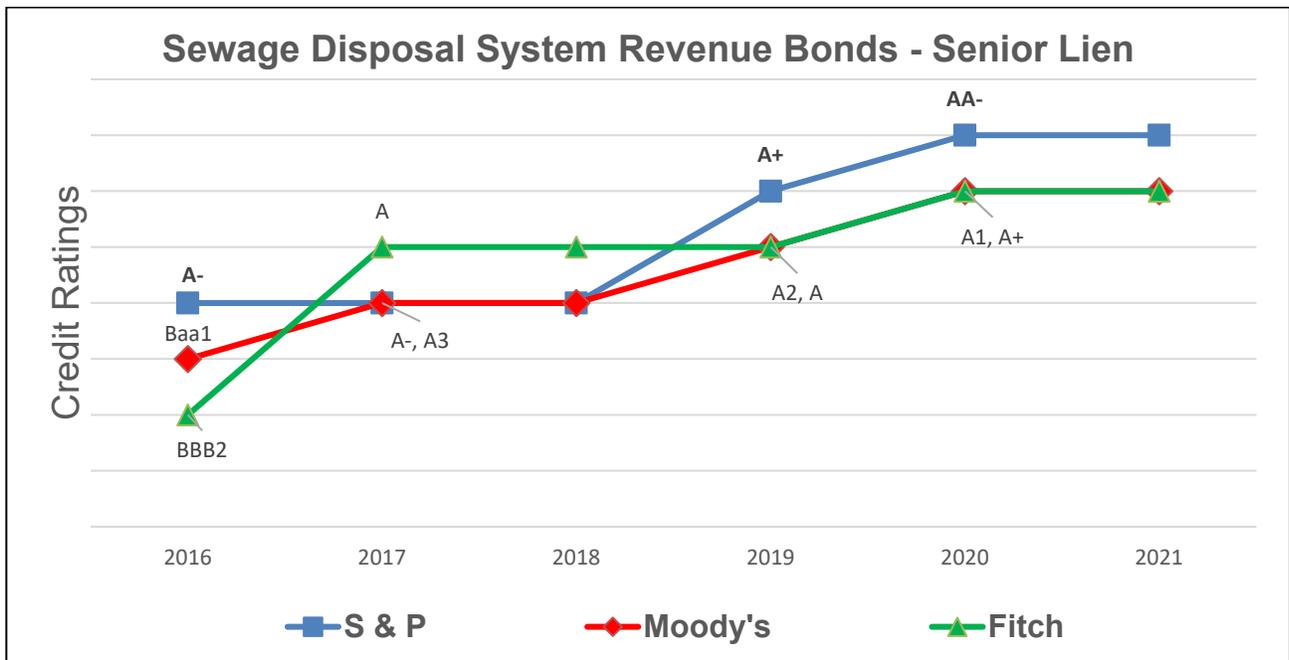
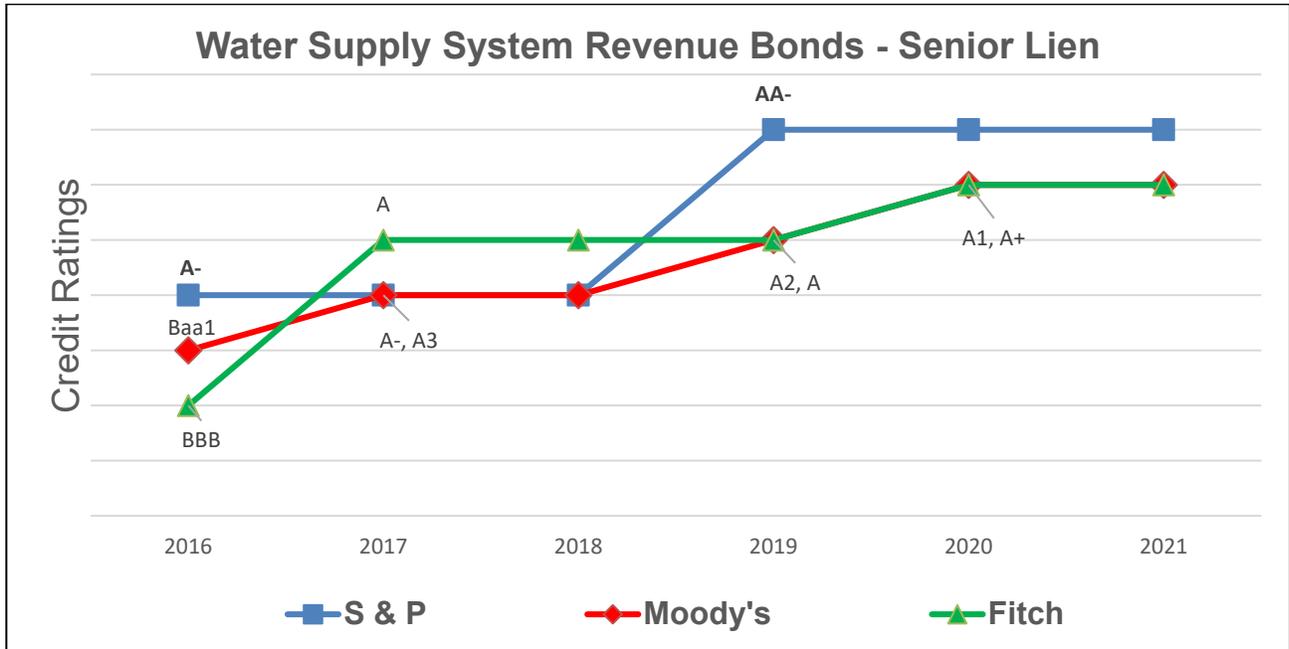
Credit Ratings

In March 2020 the Authority's ratings were upgraded or affirmed. For both the Water System and the Sewage Disposal System, Fitch Ratings upgraded the ratings with senior lien debt at A+ and second lien at A, both with a stable outlook; Standard & Poor's affirmed the Authority's ratings with water senior lien debt at AA- and second lien at A+, and upgraded the sewage disposal senior lien one notch to AA- and second lien at A+, all with a stable outlook; and Moody's upgraded the Authority's ratings one notch with senior lien debt at A1 and second lien at A2, all were assigned a stable outlook.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

The following charts provide the credit rating history for senior lien revenue bonds since the GLWA began operations in 2016.



Additional information on the Authority's long-term debt can be found in Note 13.

GREAT LAKES WATER AUTHORITY

Management's Discussion and Analysis

Economic Factors Affecting Next Year's Operations and Rates

On March 24, 2021, the GLWA Board adopted the biennial budget for the Authority for fiscal years 2022 and 2023. That two-year financial plan remains true to a foundational commitment to control the budget within a 4 percent revenue cap as further described below.

Water Fund

For FY 2022 the budget increased by 0.7 percent. This translated into a regional system average charge increase of 1.5 percent and suburban wholesale member partner average charge increase of 1.9 percent depending on each customer's usage in relation to other customers. The local system charge decreased 2.0 percent.

Sewage Disposal Fund

For FY 2022 budget decreased by 2.3 percent. This translated into a regional system average charge decrease of 0.6 percent and suburban wholesale member partner average charge decrease of 0.1 percent. The local system charge decreased 0.7 percent.

Requests for Information

This financial report is designed to provide a general overview of GLWA's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Great Lakes Water Authority, Office of the Chief Financial Officer, 735 Randolph, Detroit, Michigan 48226. This report is also available on the Authority's website at www.glwater.org.

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BASIC FINANCIAL STATEMENTS

GREAT LAKES WATER AUTHORITY

STATEMENT OF NET POSITION
As of June 30, 2021
With Comparative Amounts at June 30, 2020

| | Enterprise Funds | | Total Business-type Activities | 2020 Total Business-type Activities |
|---|----------------------|----------------------------|--------------------------------------|---|
| | Water Fund | Sewage Disposal Fund | | |
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 162,766,427 | \$ 191,584,705 | \$ 354,351,132 | \$ 208,356,720 |
| Restricted cash and cash equivalents | 65,677,030 | 85,509,014 | 151,186,044 | 65,364,730 |
| Restricted cash for the benefit of DWSD | 3,144,400 | 2,919,797 | 6,064,197 | 1,544,529 |
| Investments | 190,541,958 | 132,388,013 | 322,929,971 | 473,549,014 |
| Restricted investments | 2,932,400 | 28,758,582 | 31,690,982 | 117,966,914 |
| Receivables, net | 67,284,676 | 45,041,213 | 112,325,889 | 105,371,334 |
| Due from other governments | 11,889,748 | 1,351,111 | 13,240,859 | 31,802,636 |
| Due from other funds | 2,786,344 | 162,368 | 2,948,712 | 2,134,191 |
| Contractual obligation receivable | 16,558,716 | 14,637,184 | 31,195,900 | 29,661,490 |
| Loan receivable - DWSD | - | 8,296,578 | 8,296,578 | 18,206,431 |
| Prepaid items and other assets | 7,601,239 | 4,143,303 | 11,744,542 | 10,150,336 |
| Inventories | 794,521 | 7,000,631 | 7,795,152 | 7,007,208 |
| Total Current Assets | <u>531,977,459</u> | <u>521,792,499</u> | <u>1,053,769,958</u> | <u>1,071,115,533</u> |
| Noncurrent Assets | | | | |
| Restricted cash and cash equivalents | 2,519,127 | 2,876,374 | 5,395,501 | 47,505,584 |
| Restricted investments | 8,651,762 | 29,882,148 | 38,533,910 | 39,819,506 |
| Contractual obligation receivable | 552,093,376 | 384,718,443 | 936,811,819 | 954,297,909 |
| Loan receivable - DWSD | - | - | - | 8,296,578 |
| Prepaid lease | 11,250,000 | 13,750,000 | 25,000,000 | 25,000,000 |
| Assets not subject to depreciation | 498,010,970 | 315,474,451 | 813,485,421 | 719,865,490 |
| Capital assets being depreciated, net | 1,324,554,087 | 2,221,472,660 | 3,546,026,747 | 3,689,047,120 |
| Intangible assets, net | 94,219,373 | 4,433,681 | 98,653,054 | 97,786,037 |
| Prepaid insurance on debt | 7,304,243 | 11,053,199 | 18,357,442 | 19,988,764 |
| Total Noncurrent Assets | <u>2,498,602,938</u> | <u>2,983,660,956</u> | <u>5,482,263,894</u> | <u>5,601,606,988</u> |
| Total Assets | <u>3,030,580,397</u> | <u>3,505,453,455</u> | <u>6,536,033,852</u> | <u>6,672,722,521</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | 44,677,823 | 118,709,227 | 163,387,050 | 174,435,795 |
| Deferred pension amounts | 22,112,642 | 39,574,610 | 61,687,252 | 42,661,204 |
| Total Deferred Outflows of Resources | <u>66,790,465</u> | <u>158,283,837</u> | <u>225,074,302</u> | <u>217,096,999</u> |

| | Enterprise Funds | | Total Business-type Activities | 2020 Total Business-type Activities |
|---|------------------------|----------------------------|--------------------------------------|---|
| | Water Fund | Sewage Disposal Fund | | |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts and contracts payable | \$ 53,039,330 | \$ 32,182,085 | \$ 85,221,415 | \$ 74,070,629 |
| Accrued salaries, wages and benefits | 4,892,033 | 1,136,565 | 6,028,598 | 5,321,864 |
| Other accrued liabilities | 6,958,556 | 4,615,255 | 11,573,811 | 5,357,056 |
| Due to other governments | 15,693,993 | 3,750,000 | 19,443,993 | 20,032,254 |
| Due to other funds | 162,368 | 2,786,344 | 2,948,712 | 2,134,191 |
| Interest payable | 36,621,768 | 35,189,612 | 71,811,380 | 58,452,960 |
| Current portion of | | | | |
| Revenue bonds and loans | 32,500,450 | 87,409,283 | 119,909,733 | 121,998,075 |
| Raw water rights obligation | 2,734,246 | - | 2,734,246 | 2,624,820 |
| Obligation payable | 194,242 | 436,911 | 631,153 | 601,097 |
| Regional system leases | 5,454,878 | 6,667,073 | 12,121,951 | 11,627,700 |
| Other liabilities | 3,123,843 | 2,743,360 | 5,867,203 | 6,380,583 |
| Total Current Liabilities | <u>161,375,707</u> | <u>176,916,488</u> | <u>338,292,195</u> | <u>308,601,229</u> |
| Noncurrent Liabilities | | | | |
| Revenue bonds and loans | 2,407,391,624 | 2,912,505,035 | 5,319,896,659 | 5,474,913,736 |
| Raw water rights obligation | 95,361,056 | - | 95,361,056 | 98,095,302 |
| Obligation payable | 16,542,293 | 37,208,869 | 53,751,162 | 54,382,315 |
| Regional system leases | 405,782,406 | 495,956,275 | 901,738,681 | 913,860,632 |
| Other liabilities | 4,138,780 | 17,376,059 | 21,514,839 | 18,757,906 |
| Net pension liability | 51,728,179 | 92,577,019 | 144,305,198 | 132,909,889 |
| Total Noncurrent Liabilities | <u>2,980,944,338</u> | <u>3,555,623,257</u> | <u>6,536,567,595</u> | <u>6,692,919,780</u> |
| Total Liabilities | <u>3,142,320,045</u> | <u>3,732,539,745</u> | <u>6,874,859,790</u> | <u>7,001,521,009</u> |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding | 52,250,187 | 44,046,097 | 96,296,284 | 103,809,499 |
| Deferred amounts for swap terminations | 66,164 | 18,041 | 84,205 | 106,515 |
| Deferred capital contribution | - | - | - | 5,960,000 |
| Total Deferred Inflows of Resources | <u>52,316,351</u> | <u>44,064,138</u> | <u>96,380,489</u> | <u>109,876,014</u> |
| Net Position | | | | |
| Net investment in capital assets | (191,352,010) | (110,660,463) | (302,012,473) | (351,218,780) |
| Restricted for debt service | 23,688,943 | 90,855,751 | 114,544,694 | 105,282,969 |
| Restricted for payment assistance program | 4,614,294 | 6,428,815 | 11,043,109 | 8,988,078 |
| Unrestricted (deficit) | <u>65,783,239</u> | <u>(99,490,694)</u> | <u>(33,707,455)</u> | <u>15,370,230</u> |
| TOTAL NET POSITION | <u>\$ (97,265,534)</u> | <u>\$ (112,866,591)</u> | <u>\$ (210,132,125)</u> | <u>\$ (221,577,503)</u> |

The accompanying notes are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2021

With Comparative Amounts for the Year Ended June 30, 2020

| | Enterprise Funds | | Total Business-type Activities | 2020 Total Business-type Activities |
|--|------------------------|-------------------------|--------------------------------------|---|
| | Water | Sewage | | |
| | Fund | Disposal Fund | | |
| Operating Revenues | | | | |
| Wholesale customer charges | \$ 322,423,768 | \$ 267,567,816 | \$ 589,991,584 | \$ 578,705,063 |
| Local system charges | 21,925,500 | 187,959,700 | 209,885,200 | 207,102,800 |
| Industrial waste charges | - | 8,004,939 | 8,004,939 | 7,854,593 |
| Pollutant surcharges | - | 6,719,964 | 6,719,964 | 6,448,508 |
| Other revenues | 265,822 | 501,121 | 766,943 | 778,257 |
| Total Operating Revenues | 344,615,090 | 470,753,540 | 815,368,630 | 800,889,221 |
| Operating Expenses | | | | |
| Operating expenses before depreciation and amortization | | | | |
| Personnel | 43,889,495 | 63,055,636 | 106,945,131 | 104,266,420 |
| Contractual services | 40,410,811 | 62,913,214 | 103,324,025 | 109,448,358 |
| Utilities | 28,828,226 | 23,921,428 | 52,749,654 | 51,152,735 |
| Chemicals | 6,028,141 | 7,953,995 | 13,982,136 | 14,241,843 |
| Supplies and other expenses | 9,158,990 | 21,938,081 | 31,097,071 | 35,427,273 |
| Capital adjustment | - | - | - | 26,780 |
| Capital program allocation | (2,123,060) | (1,068,749) | (3,191,809) | (3,347,401) |
| Intergovernmental reimbursements | (2,554,511) | (612,181) | (3,166,692) | (1,733,710) |
| Total operating expenses before depreciation and amortization | 123,638,092 | 178,101,424 | 301,739,516 | 309,482,298 |
| Depreciation | 123,271,541 | 150,772,065 | 274,043,606 | 280,104,195 |
| Amortization of intangible assets | 3,566,664 | 109,926 | 3,676,590 | 3,566,664 |
| Total Operating Expenses | 250,476,297 | 328,983,415 | 579,459,712 | 593,153,157 |
| Operating Income | 94,138,793 | 141,770,125 | 235,908,918 | 207,736,064 |
| Nonoperating Revenues (Expenses) | | | | |
| Earnings on investments | 4,215,105 | 2,825,144 | 7,040,249 | 19,445,105 |
| Net increase (decrease) in fair value of investments | (3,446,187) | (2,334,438) | (5,780,625) | 5,971,601 |
| Interest on loan and obligations receivable | 25,474,904 | 18,247,607 | 43,722,511 | 42,434,884 |
| Interest expense | (128,257,367) | (135,227,647) | (263,485,014) | (288,947,856) |
| Amortization of debt related items and cost of issuance | 15,988,278 | (3,022,639) | 12,965,639 | 10,302,560 |
| Legacy pension expense | (8,075,457) | (14,452,504) | (22,527,961) | (20,143,505) |
| WRAP (Water Residential Assistance Program) | (593,206) | (924,247) | (1,517,453) | (3,315,117) |
| Other | (176,909) | (298,940) | (475,849) | 2,552,295 |
| Loss on disposal of capital assets | (123,932) | (241,105) | (365,037) | (1,316,886) |
| Loss on impairment of capital assets | - | - | - | (1,432,027) |
| Total Nonoperating Expenses | (94,994,771) | (135,428,769) | (230,423,540) | (234,448,946) |
| Income (loss) before capital contributions | (855,978) | 6,341,356 | 5,485,378 | (26,712,882) |
| Capital Contributions | - | 5,960,000 | 5,960,000 | 5,960,000 |
| Change in net position | (855,978) | 12,301,356 | 11,445,378 | (20,752,882) |
| NET POSITION (DEFICIT), Beginning of Year | (96,409,556) | (125,167,947) | (221,577,503) | (200,824,621) |
| NET POSITION (DEFICIT), END OF YEAR | \$ (97,265,534) | \$ (112,866,591) | \$ (210,132,125) | \$ (221,577,503) |

The accompanying notes are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
With Comparative Amounts for the Year Ended June 30, 2020

| | Enterprise Funds | | Total Business-type Activities | 2020 Total Business-type Activities |
|--|----------------------|----------------------------|--------------------------------------|---|
| | Water Fund | Sewage Disposal Fund | | |
| Cash Flows From Operating Activities | | | | |
| Cash received from customers | \$ 332,140,177 | \$ 469,974,866 | \$ 802,115,043 | \$ 796,179,819 |
| Cash received from intergovernmental reimbursements | 10,417,372 | 251,301 | 10,668,673 | 12,455,779 |
| Cash payments for intergovernmental services provided | (2,554,512) | (612,181) | (3,166,693) | (1,733,706) |
| Cash payments to suppliers for goods and services | (89,693,756) | (110,575,113) | (200,268,869) | (206,896,029) |
| Cash payments for employee services | (41,372,179) | (60,883,214) | (102,255,393) | (98,823,925) |
| Cash payments to other governments for obligation payable | (875,508) | (1,969,295) | (2,844,803) | (2,844,804) |
| Cash payments for WRAP | (593,206) | (924,247) | (1,517,453) | (3,315,117) |
| Cash payments for GLWA share pension agreement | (11,440,800) | (20,475,400) | (31,916,200) | (31,916,200) |
| Cash received from insurance for fire remediation | - | 1,695,458 | 1,695,458 | - |
| Nonoperating cash received | 1,740 | 20,784 | 22,524 | 1,666,015 |
| Cash received for DWSD nonoperating pension | 4,427,400 | 3,066,800 | 7,494,200 | 7,494,200 |
| Cash paid for DWSD nonoperating pension | (4,427,393) | (3,066,807) | (7,494,200) | (7,494,200) |
| Cash received for DWSD WRAP | 654,800 | 1,349,200 | 2,004,000 | 766,800 |
| Cash payments for DWSD WRAP | (1,416,056) | (2,266,491) | (3,682,547) | (684,883) |
| Cash received (paid) for DWSD budgetary surplus (shortfall) | 1,356,365 | 13,109,997 | 14,466,362 | (11,752,499) |
| Principal payments received on obligation receivable | 14,834,700 | 13,664,500 | 28,499,200 | 27,282,900 |
| Interest received on obligation receivable | 27,037,200 | 17,994,154 | 45,031,354 | 40,792,852 |
| Principal payments received on loan receivable | - | 18,206,431 | 18,206,431 | 17,542,670 |
| Interest received on loan receivable | - | 635,284 | 635,284 | 1,299,047 |
| Payments for bond issuance costs on DWSD debt | (20,328) | - | (20,328) | (180,078) |
| Payments of state revolving fund loan proceeds to DWSD | (15,741,109) | - | (15,741,109) | (6,791,655) |
| Net Cash Provided by Operating Activities | <u>222,734,907</u> | <u>339,196,027</u> | <u>561,930,934</u> | <u>533,046,986</u> |
| Cash Flows From Noncapital Financing Activities | | | | |
| Proceeds from long-term debt for DWSD | - | - | - | 202,231 |
| Proceeds from state revolving fund loans for DWSD | 15,741,109 | - | 15,741,109 | 6,791,655 |
| Principal payments | (14,834,700) | (13,619,500) | (28,454,200) | (25,912,900) |
| Interest payments | (24,641,858) | (18,009,700) | (42,651,558) | (42,011,286) |
| Net Cash Used in Noncapital Financing Activities | <u>(23,735,449)</u> | <u>(31,629,200)</u> | <u>(55,364,649)</u> | <u>(60,930,300)</u> |
| Cash Flows From Capital and Related Financing Activities | | | | |
| Proceeds from sale of assets | 29,271 | 52,779 | 82,050 | 662,156 |
| Capital contributions | - | - | - | 11,920,000 |
| Proceeds from issuance of long-term refunding debt for COI | - | - | - | 2,013,998 |
| Proceeds from state revolving fund loans | 20,186,528 | 17,261,319 | 37,447,847 | 34,457,154 |
| Payment to bond refunding escrow agent | - | - | - | (68,912,102) |
| Payment of bond issuance costs | (128,602) | (555,801) | (684,403) | (1,467,202) |
| Principal payments on bonds | (56,545,300) | (104,965,500) | (161,510,800) | (140,957,100) |
| Principal payments on regional system leases | (5,232,465) | (6,395,235) | (11,627,700) | (11,153,607) |
| Principal payments on right to use lease | - | (96,310) | (96,310) | - |
| Interest payments | (93,163,708) | (107,543,682) | (200,707,390) | (243,319,080) |
| Purchase of capital assets | (126,703,053) | (88,804,223) | (215,507,276) | (157,631,444) |
| Net Cash Used in Capital and Related Financing Activities | <u>(261,557,329)</u> | <u>(291,046,653)</u> | <u>(552,603,982)</u> | <u>(574,387,227)</u> |

| | Enterprise Funds | | Total Business-type Activities | 2020 Total Business-type Activities |
|---|-----------------------|----------------------------|--------------------------------------|---|
| | Water Fund | Sewage Disposal Fund | | |
| Cash Flows From Investing Activities | | | | |
| Investment purchases | \$ (179,484,109) | \$ (255,538,068) | \$ (435,022,177) | \$ (883,667,202) |
| Investment maturities | 321,542,000 | 346,505,000 | 668,047,000 | 722,484,449 |
| Interest received | 4,479,589 | 2,758,596 | 7,238,185 | 15,210,103 |
| Net Cash Used in Investing Activities | 146,537,480 | 93,725,528 | 240,263,008 | (145,972,650) |
| Net change in cash and cash equivalents | 83,979,609 | 110,245,702 | 194,225,311 | (248,243,191) |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 150,127,375 | 172,644,188 | 322,771,563 | 571,014,754 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 234,106,984</u> | <u>\$ 282,889,890</u> | <u>\$ 516,996,874</u> | <u>\$ 322,771,563</u> |
| STATEMENT OF NET POSITION CLASSIFICATION OF CASH | | | | |
| Cash and cash equivalents | \$ 162,766,427 | \$ 191,584,705 | \$ 354,351,132 | \$ 208,356,720 |
| Restricted cash and cash equivalents | 65,677,030 | 85,509,014 | 151,186,044 | 65,364,730 |
| Restricted cash for the benefit of DWSD | 3,144,400 | 2,919,797 | 6,064,197 | 1,544,529 |
| Noncurrent restricted cash and cash equivalents | 2,519,127 | 2,876,374 | 5,395,501 | 47,505,584 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 234,106,984</u> | <u>\$ 282,889,890</u> | <u>\$ 516,996,874</u> | <u>\$ 322,771,563</u> |
| NONCASH OPERATING ACTIVITIES | | | | |
| Credits given on billings-Flint KWA obligation | \$ (6,652,253) | \$ - | \$ (6,652,253) | \$ (6,652,348) |
| Interest income obligation receivable premium amortization | \$ (785,463) | \$ (376,827) | \$ (1,162,290) | \$ (490,247) |
| NONCASH FINANCING AND INVESTMENT ACTIVITIES | | | | |
| Net proceeds deposited into an escrow account for refunding | \$ - | \$ - | \$ - | \$ 1,059,471,666 |
| Bond proceeds to DWSD construction account | \$ - | \$ - | \$ - | \$ 99,531,655 |
| Increase in lease liability right to use asset | \$ - | \$ 4,543,607 | \$ 4,543,607 | \$ - |
| Increase in intangible right to use asset | \$ - | \$ 4,543,607 | \$ 4,543,607 | \$ - |
| Decrease in raw water rights obligation | \$ 2,624,820 | \$ - | \$ 2,624,820 | \$ 2,520,997 |
| Interest paid for raw water rights obligation | \$ 4,027,433 | \$ - | \$ 4,027,433 | \$ 4,122,851 |
| Change in unrealized gain on investments | \$ 6,705,494 | \$ 5,046,732 | \$ 11,752,226 | \$ 1,822,111 |
| Interest expense due to accretion | \$ - | \$ 496,509 | \$ 496,509 | \$ 734,587 |
| Amortization expense | \$ 16,116,880 | \$ (2,466,838) | \$ 13,650,042 | \$ 14,716,601 |

The accompanying notes are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021
With Comparative Amounts for the Year Ended June 30, 2020

| | Enterprise Funds | | Total Business-type Activities | 2020 Total Business-type Activities |
|---|-----------------------|----------------------------|--------------------------------------|---|
| | Water Fund | Sewage Disposal Fund | | |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | | | |
| Operating income | \$ 94,138,793 | \$ 141,770,125 | \$ 235,908,918 | \$ 207,736,064 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | |
| Depreciation | 123,271,541 | 150,772,065 | 274,043,606 | 280,104,195 |
| Amortization of intangible assets | 3,566,664 | 109,926 | 3,676,590 | 3,566,664 |
| Credits for raw water rights | (6,652,253) | - | (6,652,253) | (6,652,348) |
| Miscellaneous nonoperating income (expense) | 1,740 | 20,784 | 22,524 | 1,666,015 |
| Legacy pension expense and administrative fee | (8,254,106) | (14,772,228) | (23,026,334) | (20,748,984) |
| WRAP (Water Residential Assistance Program) | (593,206) | (924,247) | (1,517,453) | (3,315,117) |
| Loan forgiveness pass-through to DWSD | (2,031,300) | - | (2,031,300) | (4,711,944) |
| Bond proceeds for DWSD treated as noncash (1) | - | - | - | 99,783,785 |
| Interest income on contractual obligation receivable | 25,474,904 | 17,612,323 | 43,087,227 | 41,135,837 |
| Interest income on loan receivable | - | 635,284 | 635,284 | 1,299,047 |
| Interest expense on obligation payable | (690,516) | (1,553,190) | (2,243,706) | (2,272,366) |
| Changes in: | | | | |
| Receivables | (5,824,289) | (778,674) | (6,602,963) | 2,835,937 |
| Due from other governments | 8,375,867 | 9,834,318 | 18,210,185 | (67,721) |
| Due from other funds | (652,153) | (162,368) | (814,521) | 755,331 |
| Contractual obligation receivable | 1,910,354 | 14,041,326 | 15,951,680 | (74,292,580) |
| Loan receivable | - | 18,206,431 | 18,206,431 | 17,542,670 |
| Prepaid items and other assets (excludes investing item) | (1,712,553) | (704,466) | (2,417,019) | (1,569,879) |
| Inventories | (157,900) | (630,044) | (787,944) | (1,174,615) |
| Accounts and contracts payable (excludes capital items) | (352,968) | 1,920,781 | 1,567,813 | (1,198,929) |
| Accrued salaries, wages and benefits | (429,831) | 1,136,565 | 706,734 | 1,037,644 |
| Other accrued liabilities (excludes capital items) | 1,601,500 | 4,615,255 | 6,216,755 | (1,752,533) |
| Due to other governments (excludes non-capital financing) | (2,588,261) | 2,000,000 | (588,261) | 4,068,320 |
| Due to other funds | 162,368 | 652,153 | 814,521 | (755,331) |
| Obligation payable including accrued interest | (184,992) | (416,105) | (601,097) | (572,438) |
| Accrued compensated absences | (154,380) | (52,300) | (206,680) | 597,797 |
| Accrued workers' compensation | 78,983 | - | 78,983 | (40,646) |
| Claims and judgments | (2,072,500) | 1,675,000 | (397,500) | (23,611) |
| Other noncurrent liabilities | (761,256) | (917,291) | (1,678,547) | 81,917 |
| Net pension liability and deferred items | (2,735,343) | (4,895,396) | (7,630,739) | (10,015,195) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>\$ 222,734,907</u> | <u>\$ 339,196,027</u> | <u>\$ 561,930,934</u> | <u>\$ 533,046,986</u> |

(1) Represents bond proceeds for DWSD local system and DWSD share of underwriting costs from 2020 bond transaction that were paid directly by the bond trustee to the underwriter and the DWSD construction fund.

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021

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GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Great Lakes Water Authority (GLWA or the Authority) is the regional wholesale provider of water and sewage disposal services in southeast Michigan. The Authority was incorporated by the counties of Macomb, Oakland, Wayne and the City of Detroit (the City) on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended (Act 233). Pursuant to Regional System Leases that became effective on January 1, 2016, the Authority assumed possession and control of the regional assets of both the water supply and sewage disposal systems owned by the City, which were previously operated by the Detroit Water and Sewerage Department (DWSD). The City, acting through DWSD, will continue to manage and operate its own local retail water and sewage disposal system infrastructure. The Regional System Leases assigned all revenues of both systems to the Authority for an initial term of 40 years and, pursuant to bondholder consent, replaced the City with GLWA as the obligor on all outstanding debt obligations of the City related to the systems.

The term “Regional System Leases” is used throughout the financial statements to represent the agreements that transferred the regional water system and sewage disposal system assets and operations from the City of Detroit to GLWA. The Regional System Leases are not considered a lease as defined by the Government Auditing Standards Board (GASB) in GASB Statement No. 87, *Leases*.

The Authority’s water system is one of the largest in the United States, both in terms of water produced and population served. The water system currently serves an area of 1,698 square miles located in eight Michigan counties and an estimated population of approximately 3.8 million or approximately 38% of Michigan’s population. Suburban wholesale customers comprise approximately 82% of the population in the service area, and the DWSD retail water customers comprise the remainder.

The Authority’s sewage disposal system is one of the largest in the United States, both in terms of treatment capacity and population served. The sewer disposal system currently serves an area of 944 square miles located in three Michigan counties and an estimated population of approximately 2.8 million or approximately 28% of Michigan’s population. Suburban customers comprise approximately 76% of the population in the service area, and the DWSD retail sewer customers comprise the remainder.

The Authority’s Board is authorized to establish rates, fees and charges for its water supply and sewage disposal services. Under the Water and Sewer Services Agreement, the City is appointed as agent of the Authority for setting retail rates and for billing, collecting and enforcing the collection of charges from retail water and sewer customers. As an agent of the Authority, the City, through the Board of Water Commissioners and without further approval by the City Council, is required to set retail rates to meet the revenue requirements that the Authority establishes for the retail system for regional commitments as well as other reasonable costs of the local DWSD systems. Under certain conditions, the Authority may terminate the City’s appointment.

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

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

REPORTING ENTITY

The GLWA Board is composed of six voting members. Two members are residents of the City of Detroit and are appointed by the Mayor of the City of Detroit. The chief executive of the counties of Macomb, Oakland and Wayne each appoint one member who is a resident of the county from which appointed and the Governor of the State of Michigan appoints one member who is a resident of an area served by the Authority outside of the counties. All members of the GLWA Board must have at least seven years of experience in a regulated industry, a utility, engineering, finance, accounting or law firm. After the initial term specified in its Articles of Incorporation, each GLWA Board member is appointed for a four-year term and serves at the pleasure of the appointing government.

The GLWA Board has adopted a committee structure. Four committees have been established: Audit, Capital Improvement Planning, Operations and Resources, and Legal.

BASIS OF PRESENTATION

The Authority presents a water enterprise fund and a sewage disposal enterprise fund for its basic financial statements which consists of a statement of net position, statement of revenues, expenses and changes in net position, a statement of cash flows and these notes to the financial statements.

BASIS OF ACCOUNTING

The accounting policies of the Authority conform to GAAP as applicable to governmental entities. The accounts of the Authority are used to account for its activities, which are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned. Expenses (including depreciation) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include contributions and grants. On an accrual basis, revenue from contributions and grants is recognized in the fiscal year in which all eligibility requirements have been satisfied, including timing and expense requirements. Timing requirements specify the year when the resources are required to be used or the fiscal year when use is first permitted. Expense requirements specify the year in which the resources are provided to the Authority on a reimbursement basis.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Cash and Cash Equivalents and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value or estimated value. The Authority maintains and adheres to a formal investment policy in accordance with Michigan Public Act 20 of 1943, Investment of Surplus Funds of Political Subdivisions. Michigan State law allows the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances and mutual funds composed of otherwise legal investments. These investments are subject to interest rate risk and credit risk which may affect the value at which these investments are recorded.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Restricted Assets

Restricted assets are those assets set aside as required by the Authority's Master Bond Ordinance (MBO), funds held on behalf of another entity, or where legally restricted for a particular purpose such as bond proceeds for the capital program. See Note 4 for further details.

Accounts Receivable

The Authority records unbilled revenues for services provided prior to year-end by accruing actual revenues billed in the subsequent month. The Authority recognizes an estimate of uncollectible accounts for its customer accounts receivable related to its water and sewage disposal services.

Due from and Due to Other Governments

The due from other governments includes amounts owed to the Authority by DWSD for shared services, accrued interest receivable on the contractual obligation receivable and state grants. The due to other governments includes amounts owed by the Authority to DWSD for shared services and green infrastructure program.

Due from and Due to Other Funds

An amount owed between the Water and Sewage Disposal Funds based on shared centralized and administrative services administered by the Water Fund and allocated to the Sewage Disposal Fund. Any water system usage of inventory in the Sewage Disposal Fund is charged through an interfund payable to the Sewage Disposal Fund.

Contractual Obligation Receivable

Pursuant to the Water and Sewer Services Agreement, the City through DWSD is responsible for paying the portion of debt service on the bonds assumed by the Authority that were issued to finance the cost of improvements to the Detroit local facilities. The resulting contractual obligation is a receivable recorded by the Authority and is repaid by DWSD based upon an agreed upon schedule. Any new debt issued on behalf of the City for DWSD is also included in the contractual obligation receivable.

Loan Receivable – DWSD

The balance represents loan receivables from DWSD established per the 2018 Memorandum of Understanding (MOU) dated June 27, 2018 executed between DWSD and the Authority to cure any shortfall created from difference between cash receipts and the MBO obligations. An annual loan amount and interest rate is determined based on any shortfalls during each fiscal year. There was no shortfall of local revenue requirements for the year ending June 30, 2021. The \$10.2 million shortfall in the sewage disposal fund for fiscal year ending June 30, 2020, did not become a loan receivable as it was repaid during the fiscal year ended June 30, 2021.

Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Prepaid insurance on debt is amortized over the life of the debt. Other assets include accrued interest receivable on investments.

Inventories

Inventories consist of operating, maintenance and repair parts for water and sewage disposal system assets and are valued at the lower of cost or market, with cost being determined on an average cost method. Inventory is recorded as expense when consumed rather than when purchased.

Prepaid Lease

As described in Note 14, the Authority has recorded a prepaid lease for cash paid to DWSD on the date GLWA began operations equivalent to six months of lease payments. As noted in the 2018 MOU dated June 2018, this amount will be applied at the end of the 40-year term and, hence, it is classified as a noncurrent asset.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Capital Assets

Capital assets are recorded at historical cost. All acquisitions of land and land improvements are capitalized regardless of cost. The capitalization threshold is \$5,000 for capital assets with the exception of certain information technology which is \$1 million dollars. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets acquired after January 1, 2016 are depreciated on the straight-line basis over the useful life of the assets as follows:

| | <u>Useful Lives (In Years)</u> |
|--------------------------|------------------------------------|
| Site improvements | 15 |
| Buildings and structures | 20-50 |
| Infrastructure | 80 |
| Machinery and equipment | 3-20 |
| Vehicles | 5-7 |
| Leasehold improvements | 15 |

Capital assets acquired as of the operational effective date of the Authority at January 1, 2016 are depreciated over their estimated remaining useful lives at that time as determined by a third-party valuation. These remaining lives differ from the years cited above for newly acquired capital assets and, in most instances, are significantly shorter.

Intangible Assets

The Authority has recorded an intangible asset for raw water rights which are being amortized on a straight-line basis over 30 years in the water fund. See Note 10 for a description of these rights. The Authority has recorded a right to use intangible asset for the lease of a warehouse in the sewage disposal fund. See Note 15 for a description of the leased right to use asset.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods. At that time, the activity will be recognized as an outflow of resources (or expense). The Authority reports deferred outflows of resources for two items: deferred charges on refunding and pension amounts. Deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition price; these amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension amounts relate to differences between expected and actual investment returns and contributions to the plan subsequent to the plan measurement date. More detailed information on pension amounts can be found in Note 18.

Other Accrued Liabilities

Other accrued liabilities represent amounts held for specific purposes or other parties as described below:

- Under the terms of the MBO, the Authority retains cash on hand for the benefit of DWSD to be used for current revenue requirements.
- The Authority holds a customer deposit for \$3,750,000 plus interest earned net of bank fees.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Arbitrage Rebate Payable

Certain bonds are subject to arbitrage rebate requirements in accordance with regulations issued by the U.S. Treasury Department. The requirements generally stipulate that earnings from the investment of the tax-exempt bond proceeds that exceeds related interest costs on the bonds must be remitted to the Federal government on every fifth anniversary of each bond issue. The Authority did not have an arbitrage rebate liability as of June 30, 2021.

Revenue Bonds and Loans

The Authority issues revenue bonds to finance capital improvement projects, refund outstanding bonds to reduce future debt service payment and pay the cost of issuance. Loans are direct borrowings through the State of Michigan revolving fund loan program. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. See Note 13 for the details on revenue bonds and loans.

Raw Water Rights Obligation

The Authority has recorded a liability for the purchase obligation on raw water rights. See Note 13 for the details of this obligation.

Obligation Payable

Under the terms of the lease agreements with the City, the Authority is required to pay a portion of the City's B and C notes allocated to the regional water and sewage disposal systems. See "Obligation Payable - City of Detroit 2014 Financial Recovery Bonds" in Note 13.

Regional System Leases

The effective date of the Regional System leases by the City to the Authority for the leased water and sewage disposal facilities was January 1, 2016. See Note 14 for the details of the regional system leases.

Other Liabilities

Other liabilities include the following liabilities which are discussed in Note 15:

- Lease payable – Right to use asset
- Compensated absences
- Workers' compensation
- Claims and judgements
- Cash held for the benefit of DWSD budget stabilization

Net Pension Liability

Under the terms of the Regional System leases, the Authority is a nonemployer contributing entity in the City of Detroit General Employee's Retirement system (GRS) Component II plan in a special funding situation. For the purposes of measuring the net pension liability, deferred outflows, and pension expense, information about the fiduciary net position of the Component II plan of the GRS and additions to/ deductions from the plan's net position have been determined on the same basis as they are reported by GRS. The GRS combined plan 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. Plan member contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value or estimated fair value. Refer to Note 18 for additional information on the net pension liability.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods. At that time, the activity will be recognized as an inflow of resources (or revenues). The Authority has included the deferred gain on refunding, deferred amounts on swap terminations and deferred capital contribution in this reporting category. Deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price; these amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts on swap terminations were assumed as part of the regional system lease agreements with the City. The amounts will be fully amortized for both funds by fiscal 2035. The deferred capital contribution relates to the previous year, which was recognized in the current year and is discussed under the Capital Contribution heading in the Statement of Revenues, Expenses and Changes in Net Position section below.

Net Position

Net position, which represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, is reported in three components as follows:

Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the balance of outstanding related debt including the share of the regional system lease liability allocable to the net investment in capital assets acquisition value of the regional systems recorded under GASB 69.

Restricted – consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. The net position consists of restricted assets reduced by liabilities related to those assets.

Unrestricted – is the residual balance of net position after net investment in capital assets and restricted.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first and then unrestricted resources when they are needed.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Classification of Revenues and Expenses

The Authority classifies its revenues and expenses as either operating or nonoperating.

Operating revenues are those revenues generated from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are wholesale charges for providing water and wastewater treatment. The local system charges are the charges to the City of Detroit under the Water and Sewer Services Agreement (WSSA), dated June 12, 2015. Wholesale customer charges are shown net of bad debt expense of \$2,928,444 for the Water Fund and \$2,963,838 for the Sewage Disposal Fund.

Operating expenses include the direct costs of operating the water and sewage disposal systems, centralized support, utilities, administrative expenses, depreciation on capital assets and amortization of intangible assets. The following items are shown as a reduction to operating expenses:

- The capital program allocation represents personnel costs that support the project delivery of the Capital Improvement Plan and have been capitalized.
- Intergovernmental reimbursements represent reimbursement of costs related to shared facilities and personnel which the Authority provides to DWSD through a shared services agreement or separate interlocal agreement. It also includes reimbursement of costs for contracted services that are billed to member partners under an intergovernmental agreement.

All revenue and expenses not meeting these definitions above are reported as nonoperating revenues and expenses.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Capital Adjustment

As part of the Authority's capital improvement program the Authority incurs costs to design capital improvement projects. Periodically, the actual construction project may not be completed due to changes in plans or environmental requirements. Once it has been determined that construction will not proceed related costs are charged to the capital adjustment operating expense, including any costs previously recorded in construction in progress. There were no capital adjustments for the fiscal year ending June 30, 2021.

Taxes

The Authority pays no direct federal, state or local taxes, except local taxes on excess property and federal Social Security and Medicare taxes.

Interest Income on Loan and Obligations Receivable

Interest income is the interest earned on the loan receivable and the contractual obligation receivable.

Amortization of Debt Related Items and Cost of Issuance

Bond premiums, discounts, and gains or losses on refunding are deferred and amortized over the life of the bonds. Bond premiums, discounts and GASB 69 debt value adjustment are amortized using the effective interest method. The deferred amounts on refunding are amortized using the straight-line method. Debt cost of issuance is expensed when incurred.

Legacy Pension Expense

GLWA is legally responsible for making substantial contributions to a legacy pension plan of another entity, see Note 18 for additional information on this Plan.

Centralized Services and Administrative Services

Certain costs incurred by the Authority are allocated between the Water and Sewage Disposal Funds. The allocations are based on an annual cost allocation analysis. The following table shows the allocation of these common costs for the year ended June 30, 2021:

| <u>Common Costs</u> | <u>Water % Allocation</u> | <u>Water Allocation</u> | <u>Sewer % Allocation</u> | <u>Sewer Allocation</u> | <u>Total Common Costs</u> |
|-------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Centralized services | 42.0% | \$ 37,003,204 | 58.0% | \$ 51,125,617 | \$ 88,128,821 |
| Administrative services | 49.8% | \$ 12,549,032 | 50.2% | \$ 12,667,792 | \$ 25,216,824 |

Centralized services includes the following operating areas: planning services, systems control, facility operations, fleet operations, field service operations, energy research and innovation, information technology and security and integrity.

Administrative services includes the following operating areas: board of directors, chief executive officer, chief administrative and compliance officer, general counsel, public affairs, organizational development, and financial services.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Capital Contribution

The Great Lakes Water Authority (GLWA) and the Oakland-Macomb Interceptor Drain Drainage District (OMIDDD) signed a contract amendment that redefined the operation, maintenance, repair and improvement responsibilities of each entity regarding the Northeast Sewer Pump Station (NESPS), interceptor PCI-5 and the North Interceptor East Arm (NIEA). As part of this agreement, OMIDDD paid GLWA a one-time contribution in the amount of \$11,920,000 during the fiscal year ending June 30, 2020, in exchange for the elimination of future capital charges related to GLWA assets that the customer will maintain in the future. This amount generally reflects GLWA's determination of net book value of the assets as of the effective date. For the fiscal year ending June 30, 2020, \$5,960,000 of this amount was recognized and \$5,960,000 was deferred to the fiscal year ending June 30, 2021 for budgeted revenue requirements related to the fiscal year ending June 30, 2021.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of New Accounting Standards

GASB Statement No. 87, *Leases* is effective for years beginning after June 15, 2021. The Authority has implemented this statement early for the fiscal year ending June 30, 2021. This implementation did not have any effect on previous reporting periods as the lease recorded under this statement started during the current fiscal year.

GASB Statement No. 84, *Fiduciary Activities* and Statement No. 90, *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61* became effective in the current fiscal year. Both of these statements were implemented during the current year with no effect on the financial statements as a result of implementation.

The Authority has also implemented GASB Statement No. 98, *The Annual Comprehensive Financial Report* early for the fiscal year ending June 30, 2021.

New Accounting Pronouncements to be Implemented in the Future

The following GASB pronouncements will be implemented in the future. The Authority has not completed its assessment of the future impact of the adoption of these statements, if any.

- Statement No. 91, *Conduit Debt Obligations* (effective for fiscal years beginning after December 15, 2021)
- Statement No.92, *Omnibus 2020* (effective for fiscal years beginning after June 15, 2021)
- Statement 93, *Replacement of Interbank Offer Rates* (paragraph 11b is effective for fiscal years beginning after December 31, 2021, paragraphs 13 and 14 are effective for fiscal years beginning after June 15, 2021)
- Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (effective for fiscal years beginning after June 15, 2022)
- Statement No. 96, *Subscription-Based Information Technology Arrangements* (effective for fiscal years beginning after June 15, 2022)
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No.84, and a supersession of GASB Statement No. 32* (effective for fiscal years beginning after June 15, 2021)

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

NOTE 2 – BUDGETARY INFORMATION

The financial activity of the Authority is presented in two enterprise funds. While enterprise funds are not required under State statutes to adopt appropriated budgets, the Authority's Articles of Incorporation outlines a budget adoption process. Budget to actual schedules for revenues and expenses are presented in the Supplementary Information section of this report. This schedule is not required by GAAP or subject to audit procedures. It is presented strictly for informational purposes.

BUDGET PROCESS

GLWA adopts a biennial budget for the regional water and sewage disposal systems as required by its Articles of Incorporation. The revenue requirements budget is adopted separately for the water and sewerage disposal systems. It is the sum of: a) operation and maintenance expenses; b) amounts necessary to pay the principal of and interest on all bonds and to fund any reserves required by the Master Bond Ordinance; c) the lease payment, which shall be a common-to-all charge; d) GLWA's portion of the GRS net pension liability and the B&C obligation payable; e) the required deposit to the Water Residential Assistance Program (WRAP) Fund; f) the amounts needed to make the required deposits to the regional Extraordinary Repair and Replacement Reserve Fund and the regional Improvement and Extension Fund as defined in the Master Bond Ordinance; and g) the amount necessary to satisfy the coverage ratios required by the rate covenant in the Master Bond Ordinance.

As provided in the Regional System leases, through the fiscal year ending June 30, 2025, the water and sewage disposal systems are limited to annual increases in the regional revenue requirement of not more than 4%. This limitation shall not be applicable, however, if the regional revenue requirement must increase beyond the 4% assumption in order to satisfy the rate covenant or to pay the cost of improvements to the leased water and/or sewage disposal facilities that are required to be made by applicable laws.

In the Regional System leases, the City acknowledges that all local water and sewer system revenues received from customers in the City are the property of GLWA and will be deposited as received in the Receiving Fund as defined in the Master Bond Ordinance and applied as provided in the Bond Ordinance. As a result, the City agrees to provide the Authority with a budget for the local water and sewage disposal system as provided in the Water and Sewer Services Agreement.

SCHEDULE OF CHARGES PROCESS

The GLWA Wholesale Customer Model Water Contract and GLWA Wholesale Customer Model Sewer Contract requires that GLWA provide wholesale customers with written notice of a proposed charge, meet to review the proposed charge, and the underlying data used to calculate the charge not less than 30 calendar days prior to a public hearing. Further, the contract requires that a public hearing be held no less than 120 days prior to the date that proposed charges take effect.

The Water and Sewer Services Agreement between GLWA and DWSD requires that GLWA provide the City with written notice of the proposed charge and the underlying data used to calculate the charge not less than 120 calendar days prior to the effective date of any new charge.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes the Authority 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 Authority 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 not 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 deposits and investments of the Authority at June 30, 2021 are reported in the basic financial statements as follows:

| | Water Fund | Sewage Disposal Fund | Total |
|---|-----------------------|-------------------------|-----------------------|
| Statement of Net Position | | | |
| Cash and cash equivalents | \$ 162,766,427 | \$ 191,584,705 | \$354,351,132 |
| Restricted cash and cash equivalents | 65,677,030 | 85,509,014 | 151,186,044 |
| Restricted cash for the benefit of DWSD | 3,144,400 | 2,919,797 | 6,064,197 |
| Investments | 190,541,958 | 132,388,013 | 322,929,971 |
| Restricted investments | 2,932,400 | 28,758,582 | 31,690,982 |
| Noncurrent restricted cash and cash equivalents | 2,519,127 | 2,876,374 | 5,395,501 |
| Noncurrent restricted investments | 8,651,762 | 29,882,148 | 38,533,910 |
| Total | <u>\$ 436,233,104</u> | <u>\$ 473,918,633</u> | <u>\$ 910,151,737</u> |
| Cash Deposits and Investments | | | |
| Bank deposits – checking and savings accounts | \$ 65,733,048 | \$ 45,722,248 | \$ 111,455,296 |
| Money market accounts | 168,373,936 | 237,167,642 | 405,541,578 |
| Investments in securities | <u>202,126,120</u> | <u>191,028,743</u> | <u>393,154,863</u> |
| Total | <u>\$ 436,233,104</u> | <u>\$ 473,918,633</u> | <u>\$ 910,151,737</u> |

CUSTODIAL RISK OF BANK DEPOSITS

Deposits and money market accounts are exposed to custodial credit risk if they are not covered by depository insurance. At year-end, the carrying amount of the Authority's deposits and money market accounts was \$234,106,984 for the water fund and \$282,889,890 for the sewage disposal fund. The bank balance of the water fund deposits and money market accounts was \$238,929,703 of which \$211,532,590 was uninsured and uncollateralized. The bank balance of the sewage disposal fund deposits and money market accounts was \$282,889,890 of which \$282,639,890 was uninsured and uncollateralized.

In accordance with the Authority's investment policy and State law, all deposits are held in the Authority's name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Authority believes it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

INVESTMENTS

Following is a summary of the Authority's investments as of June 30, 2021:

| | Water Fund | Standard & Poors Rating | Weighted Maturity In Years |
|--------------------------|----------------------------|-------------------------------|----------------------------------|
| U.S. treasury notes | \$ 81,862,317 | AA+ | 1.46 |
| U.S. government agencies | 109,917,212 | AA+ | 1.23 |
| Commercial paper | <u>10,346,591</u> | A1 | 0.42 |
| Total | <u>\$ 202,126,120</u> | | |
| | Sewage Disposal Fund | Standard & Poors Rating | Weighted Maturity In Years |
| U.S. treasury notes | \$ 102,100,736 | AA+ | 1.60 |
| U.S. government agencies | 51,060,683 | AA+ | 1.29 |
| Commercial paper | <u>37,867,324</u> | A1 | 0.26 |
| Total | <u>\$ 191,028,743</u> | | |
| | Total | Standard & Poors Rating | Weighted Maturity In Years |
| U.S. treasury notes | \$ 183,963,053 | AA+ | 1.53 |
| U.S. government agencies | 160,977,895 | AA+ | 1.25 |
| Commercial paper | <u>48,213,915</u> | A1 | 0.30 |
| Total | <u>\$ 393,154,863</u> | | |

CUSTODIAL RISK OF INVESTMENTS

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the Authority's investment policy, all investments are held in the name of the Authority and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)**CREDIT RISK**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations.

As of June 30, 2021, all of the Authority's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's. The Authority's investment in commercial paper was rated A1 by Standard and Poor's and P1 by Moody's. U.S Treasury notes are explicitly guaranteed by the U.S. government and not considered to have credit risk. The Authority's money market accounts were not rated.

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In order to manage its exposure risk, the Authority's investment policy requires diversification by security type to no more than 50% of the total investment portfolio.

At June 30, 2021, the Authority had greater than 5% of its total investment portfolio concentrated as follows:

| Investment Type | Issuer | % of Portfolio |
|-----------------------------|---|----------------|
| Water Fund | | |
| U.S. government agencies | Federal National Mortgage Association | 14.99% |
| U.S. government agencies | Federal Home Loan Bank | 14.44 |
| U.S. government agencies | Federal Home Loan Mortgage Company | 19.79 |
| Sewage Disposal Fund | | |
| U.S. government agencies | Federal Home Loan Mortgage Company | 10.10 |
| U.S. government agencies | Federal National Mortgage Association | 9.25 |
| U.S. government agencies | Federal Home Loan Bank | 7.38 |
| Commercial paper | Collateralized Commercial Paper V Company, LLC | 7.42 |
| Commercial paper | Sumitomo Mitsu Bank | 5.17 |
| Commercial paper | Royal Bank of Canada | 5.08 |

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. As a means of limiting its exposure to fair value losses due to rising interest rates, the Authority's investment policy limits the maximum maturity period to no more than five years, unless matched to a particular cash flow need. The Authority's investment policy further provides risk will be minimized by: matching investments with short and long-term cash flow requirements, and monitoring the maturity dates of individual securities and the weighted average maturity of the investment portfolio to ensure duration is commensurate with the cash flow requirements.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

FAIR VALUE MEASUREMENTS

The Authority categorizes investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The Authority is required to classify certain assets and liabilities based on the following fair value hierarchy:

Level 1: Quoted price in active markets for identical assets.

Level 2: Inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Debt securities are priced based on a compilation of primarily observable market information or broker quote in non-active market.

Level 3: Inputs are significant unobservable inputs.

| | <u>Level 2</u> |
|--|-----------------------|
| Water Fund | |
| Investments by fair value: | |
| U.S. treasury notes | \$ 81,862,317 |
| U.S. government agencies | 109,917,212 |
| Commercial paper | <u>10,346,591</u> |
| Water Fund Total Investments | <u>202,126,120</u> |
| Sewage Disposal Fund | |
| Investments by fair value: | |
| U.S. treasury notes | 102,100,736 |
| U.S. government agencies | 51,060,683 |
| Commercial paper | <u>37,867,324</u> |
| Sewer Fund Total Investments | <u>191,028,743</u> |
| Total Investments – Business-type activities | <u>\$ 393,154,863</u> |

The Authority has no Level 1 or 3 inputs at June 30, 2021.

NOTE 4 – RESTRICTED ASSETS

Restricted assets, comprised of cash and investments, are available for debt service on revenue bonds and to provide funds for improvements, enlargements, extensions and construction. In accordance with the provisions of the Master Bond Ordinance and Regional System Leases, the Authority follows a sequential flow of funds in segregated accounts through which revenue receipts are deposited and are maintained at certain levels in satisfaction of all legal requirements.

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021

NOTE 4 – RESTRICTED ASSETS (cont.)

The following schedules provide, in the order of the flow of funds per the Master Bond Ordinance, the assignment of Water and Sewage Disposal Funds cash and investments between restricted and unrestricted assets based on the source of the monies as of June 30, 2021.

| | Funded from Revenue and Other | | Funded from | Total |
|--|-------------------------------|---------------|-----------------------------|----------------|
| | Unrestricted | Restricted | Debt Issuance Restricted | |
| Water Fund | | | | |
| Receiving fund | \$ 60,370,963 * | \$ - | \$ - | \$ 60,370,963 |
| Operations and maintenance | 33,201,497 | 14,180,745 ** | - | 47,382,242 |
| Operations and maintenance - pension | - | 183,850 | - | 183,850 |
| Senior lien debt service | - | 22,250,292 | - | 22,250,292 |
| Senior lien bond reserve | - | - | 102,815,334 | 102,815,334 |
| Second and junior lien debt service | - | 31,635,226 | - | 31,635,226 |
| Second and junior lien debt reserve | - | - | 48,781,471 | 48,781,471 |
| Pension obligation | - | 359,316 | - | 359,316 |
| Water residential assistance program (WRAP) | - | 4,614,294 | - | 4,614,294 |
| Budget stabilization | - | 1,998,190 | - | 1,998,190 |
| Extraordinary repair and replacement | 27,525,996 | - | - | 27,525,996 |
| Improvement and extension – regional | 204,998,873 | - | - | 204,998,873 |
| Subtotal – Reserves Defined by Ordinance | 326,097,329 | 75,221,913 | 151,596,805 | 552,916,047 |
| Less: Funded by surety (noncash) | - | - | (147,038,399) | (147,038,399) |
| Total – Reserves Defined by Ordinance (net of surety coverage) | 326,097,329 | 75,221,913 | 4,558,406 | 405,877,648 |
| Cash held for the benefit of DWSD | - | 3,144,400 | - | 3,144,400 |
| Construction fund | 27,211,056 | - | - | 27,211,056 |
| Total Cash, Cash Equivalents and Investments Water Fund | \$ 353,308,385 | \$ 78,366,313 | \$ 4,558,406 | \$ 436,233,104 |

*Balance for two months required transfers

**Construction retainage and deposits

Surety coverage includes series specific policies; therefore, this represents the lesser of the maximum amount of the policy or amount of reserve requirement allocated to the specific series covered by such policy.

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS

As of and for the Year Ended June 30, 2021

NOTE 4 – RESTRICTED ASSETS (cont.)

| | Funded from Revenue and Other | | Funded from Debt Issuance | Total |
|---|----------------------------------|-----------------------|------------------------------|-----------------------|
| | Unrestricted | Restricted | Restricted | |
| Sewage Disposal Fund | | | | |
| Receiving fund | \$ 104,424,762* | \$ - | \$ - | \$ 104,424,762 |
| Operations and maintenance | 33,863,665 | 10,225,135** | - | 44,088,800 |
| Operations and maintenance - pension | - | 329,484 | - | 329,484 |
| Senior lien debt service | - | 41,652,249 | - | 41,652,249 |
| Senior lien bond reserve | - | - | 114,378,494 | 114,378,494 |
| Second and junior lien debt service | - | 61,558,618 | - | 61,558,618 |
| Second and junior lien debt reserve | - | - | 48,112,098 | 48,112,098 |
| Pension obligation | - | 502,110 | - | 502,110 |
| Water residential assistance program (WRAP) | - | 6,428,815 | - | 6,428,815 |
| Budget stabilization | - | 5,493,494 | - | 5,493,494 |
| Extraordinary repair and replacement | 44,013,365 | - | - | 44,013,365 |
| Improvement and extension – regional | 121,356,399 | - | - | 121,356,399 |
| Subtotal – Reserves Defined by Ordinance | 303,658,191 | 126,189,905 | 162,490,592 | 592,338,688 |
| Less: Funded by surety (noncash) | - | - | (141,654,379) | (141,654,379) |
| Total – Reserves Defined by Ordinance (net of surety coverage) | 303,658,191 | 126,189,905 | 20,836,213 | 450,684,309 |
| Cash held for the benefit of DWSD | - | 2,919,797 | - | 2,919,797 |
| Construction funds | 20,314,527 | - | - | 20,314,527 |
| Total Cash, Cash Equivalents and Investments Sewage Disposal Fund | 323,972,718 | 129,109,702 | 20,836,213 | 473,918,633 |
| Total Cash, Cash Equivalents and Investments –Business-type Activities | <u>\$677,281,103</u> | <u>\$ 207,476,015</u> | <u>\$ 25,394,619</u> | <u>\$ 910,151,737</u> |

*Balance for two months required transfers

**Construction retainage and deposits

Surety coverage includes series specific policies; therefore, this represents the lesser of the maximum amount of the policy or amount of reserve requirement allocated to the specific series covered by such policy.

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 4 – RESTRICTED ASSETS (cont.)**

A reconciliation of restricted assets to restricted net position is as follows:

| | Water Fund | Sewage Disposal Fund | Total Business-type Activities |
|---|--------------------------|--------------------------|--------------------------------------|
| Restricted assets from schedule above: | | | |
| From revenue and other | \$ 78,366,313 | \$ 129,109,702 | \$ 207,476,015 |
| From debt issuance | 4,558,406 | 20,836,213 | 25,394,619 |
| Amounts payable to liabilities and debt | <u>(56,621,482)</u> | <u>(52,661,349)</u> | <u>(107,282,831)</u> |
| Restricted Net Position | <u>\$ 28,303,237</u> | <u>\$ 97,284,566</u> | <u>\$ 125,587,803</u> |
| Restricted net position for: | | | |
| Debt service | \$ 23,688,943 | \$ 90,855,751 | \$ 114,544,694 |
| Payment assistance program | <u>4,614,294</u> | <u>6,428,815</u> | <u>11,043,109</u> |
| Total Restricted Net Position | <u>\$ 28,303,237</u> | <u>\$ 97,284,566</u> | <u>\$ 125,587,803</u> |

The following summary reconciles the above cash and investment balances with the balances per the Statement of Net Position. The allocation of restricted balances to current and noncurrent categories is not intended to directly align with the funding source allocation included in the schedule.

| | Unrestricted | Restricted Current | Restricted Noncurrent | Total |
|------------------------------------|---------------------------|---------------------------|--------------------------|---------------------------|
| Water Fund | | | | |
| Cash and cash equivalents | \$ 162,766,427 | \$ 65,677,030 | \$ 2,519,127 | \$ 230,962,584 |
| Cash held for the benefit of DWSD | - | 3,144,400 | - | 3,144,400 |
| Investments | <u>190,541,958</u> | <u>2,932,400</u> | <u>8,651,762</u> | <u>202,126,120</u> |
| Total Water Fund | <u>353,308,385</u> | <u>71,753,830</u> | <u>11,170,889</u> | <u>436,233,104</u> |
| Sewage Disposal Fund | | | | |
| Cash and cash equivalents | 191,584,705 | 85,509,014 | 2,876,374 | 279,970,093 |
| Cash held for the benefit of DWSD | - | 2,919,797 | - | 2,919,797 |
| Investments | <u>132,388,013</u> | <u>28,758,582</u> | <u>29,882,148</u> | <u>191,028,743</u> |
| Total Sewage Disposal Fund | <u>323,972,718</u> | <u>117,187,393</u> | <u>32,758,522</u> | <u>473,918,633</u> |
| Total Business-type Activities | <u>\$ 677,281,103</u> | <u>\$ 188,941,223</u> | <u>\$ 43,929,411</u> | <u>\$ 910,151,737</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 5 – RECEIVABLES

The following is a summary of the net receivables as of June 30, 2021:

| | Water Fund | Sewage Disposal Fund | Total |
|---------------------------------|----------------------|-------------------------|-----------------------|
| Receivables, net: | | | |
| Billed | \$ 48,694,817 | \$ 59,552,759 | \$ 108,247,576 |
| Unbilled | 30,066,884 | 24,320,796 | 54,387,680 |
| Other | 85,494 | 489,412 | 574,906 |
| Subtotal | 78,847,195 | 84,362,967 | 163,210,162 |
| Allowance for doubtful accounts | (11,562,519) | (39,321,754) | (50,884,273) |
| Total Receivables, net | <u>\$ 67,284,676</u> | <u>\$ 45,041,213</u> | <u>\$ 112,325,889</u> |

NOTE 6 – DUE FROM OTHER GOVERNMENTS

Due from other governments in the statement of net position are as follows:

| | Water Fund | Sewage Disposal Fund |
|--|----------------------|-------------------------|
| DWSD-Billed shared services | \$ 14,901,436 | \$ 606,376 |
| DWSD-Unbilled shared services | (3,922,099) | - |
| DWSD-Accrued interest on obligation receivable | 163,387 | - |
| State of Michigan FEMA | 747,024 | 744,735 |
| Total Due From Other Governments | <u>\$ 11,889,748</u> | <u>\$ 1,351,111</u> |

NOTE 7 – DUE TO AND DUE FROM OTHER FUNDS

Interfund balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and the payment between funds are made. Interfund balances for the year ended June 30, 2021 consisted of the following:

| | Water Fund - Due from Sewage Disposal Fund | Sewage Disposal Fund - Due from Water Fund | Total Due To |
|--|---|---|---------------------|
| Water Fund - Due to Sewage Disposal Fund | \$ - | \$ 162,368 | \$ 162,368 |
| Sewage Disposal Fund - Due to Water Fund | 2,786,344 | - | 2,786,344 |
| Total Due From | <u>\$ 2,786,344</u> | <u>\$ 162,368</u> | <u>\$ 2,948,712</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 8 – CONTRACTUAL OBLIGATION RECEIVABLE**

As part of the regional system lease transaction, in which GLWA leased the regional water and sewage disposal system from the City of Detroit, all DWSD revenue bonds outstanding as of December 31, 2015, including those purchased by the Michigan Finance Authority under its state revolving loan program, were assumed by GLWA with the consent of bondholders. Total bonds assumed by GLWA totaled \$2,313,683,761 for the Water Fund and \$3,291,282,050 for the Sewage Disposal Fund.

Per the lease agreements, the WSSA and the MBO, the Detroit retail class continues to pay its common-to-all share of debt service revenue requirements and its allocated share of debt service revenue requirements associated with improvements to the local water and sewage disposal systems. Payments on the debt service incurred by GLWA on the outstanding revenue bonds assumed as of December 31, 2015 are to be allocated using an agreed-upon percentage of total debt service associated with bond-financed local improvements over the life of such bonds, though the bonds themselves continue to be secured by the net revenue of GLWA, and the revenues of the Detroit retail class. The MOU dated June 27, 2018 defines an agreed upon allocation and amortization schedule. Any additional debt issued by GLWA on behalf of the local system is also included in the obligation receivable. DWSD is billed monthly for the debt requirements on a debt set-aside basis so the funds are available when the associated debt payment is due.

Changes in obligation receivable for the year ended June 30, 2021 were as follows:

| | Beginning Balance | Increase | Decrease | Debt Forgiveness | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|---------------|-----------------|---------------------|-------------------|------------------------|
| Water Fund | | | | | | |
| Obligation Receivable | | | | | | |
| Bifurcated debt | \$ 398,319,700 | \$ - | \$ (14,478,800) | \$ - | \$ 383,840,900 | \$ 15,168,000 |
| New money bonds | 136,320,000 | - | - | - | 136,320,000 | - |
| State revolving funds | 15,531,678 | 15,741,109 | (355,901) | (2,031,300) | 28,885,586 | 652,056 |
| Total Obligation Receivable | 550,171,378 | 15,741,109 | (14,834,701) | (2,031,300) | 549,046,486 | 15,820,056 |
| Deferred amounts for: | | | | | | |
| Unamortized premiums | 20,391,068 | - | (785,462) | - | 19,605,606 | 738,660 |
| Total Water Fund | 570,562,446 | 15,741,109 | (15,620,163) | (2,031,300) | 568,652,092 | 16,558,716 |
| Sewage Disposal Fund | | | | | | |
| Obligation Receivable | | | | | | |
| Bifurcated debt | 323,833,400 | - | (12,249,500) | - | 311,583,900 | 12,779,900 |
| New money bonds | 80,225,000 | - | (1,415,000) | - | 78,810,000 | 1,465,000 |
| Total Obligation Receivable | 404,058,400 | - | (13,664,500) | - | 390,393,900 | 14,244,900 |
| Deferred amounts for: | | | | | | |
| Unamortized premiums | 9,338,553 | - | (376,826) | - | 8,961,727 | 392,284 |
| Total Sewage Disposal Fund | 413,396,953 | - | (14,041,326) | - | 399,355,627 | 14,637,184 |
| Total Business-type Activities | \$ 983,959,399 | \$ 15,741,109 | \$ (29,661,489) | \$ (2,031,300) | \$ 968,007,719 | \$ 31,195,900 |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 8 – CONTRACTUAL OBLIGATION RECEIVABLE (cont.)

The current obligation receivable payment schedule is as follows:

| | Year Ended June 30 | Principal | Interest | Total |
|---|-----------------------|-----------------------|-----------------------|-------------------------|
| Water Fund | | | | |
| | 2022 | \$ 15,820,056 | \$ 25,722,698 | \$ 41,542,754 |
| | 2023 | 17,055,800 | 24,988,406 | 42,044,206 |
| | 2024 | 19,506,500 | 24,206,842 | 43,713,342 |
| | 2025 | 20,420,100 | 23,305,212 | 43,725,312 |
| | 2026 | 21,358,300 | 22,360,440 | 43,718,740 |
| | 2027 - 2031 | 122,579,900 | 96,004,298 | 218,584,198 |
| | 2032 - 2036 | 153,447,896 | 64,747,196 | 218,195,092 |
| | 2037 - 2041 | 84,475,900 | 30,405,004 | 114,880,904 |
| | 2042 - 2046 | 76,584,467 | 15,770,592 | 92,355,059 |
| | 2047 - 2050 | 17,797,567 | 1,704,427 | 19,501,994 |
| | | <u>\$ 549,046,486</u> | <u>\$ 329,215,115</u> | <u>\$ 878,261,601</u> |
| Total Water Fund | | | | |
| Sewage Disposal Fund | | | | |
| | 2022 | \$ 14,244,900 | \$ 17,402,150 | \$ 31,647,050 |
| | 2023 | 14,863,300 | 16,790,150 | 31,653,450 |
| | 2024 | 15,500,600 | 16,151,650 | 31,652,250 |
| | 2025 | 16,177,900 | 15,469,850 | 31,647,750 |
| | 2026 | 16,891,400 | 14,758,100 | 31,649,500 |
| | 2027 - 2031 | 96,292,600 | 61,965,400 | 158,258,000 |
| | 2032 - 2036 | 119,425,500 | 38,825,000 | 158,250,500 |
| | 2037 - 2041 | 65,872,700 | 13,571,400 | 79,444,100 |
| | 2042 - 2046 | 21,120,000 | 5,772,250 | 26,892,250 |
| | 2047 - 2049 | 10,005,000 | 756,500 | 10,761,500 |
| | | <u>\$ 390,393,900</u> | <u>\$ 201,462,450</u> | <u>\$ 591,856,350</u> |
| Total Sewage Disposal Fund | | | | |
| Total Business-type Activities | | | | |
| | | <u>\$ 939,440,386</u> | <u>\$ 530,677,565</u> | <u>\$ 1,470,117,951</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 9 – LOAN RECEIVABLE – DWSD

Under the terms of the WSSA and the 2018 MOU, if DWSD experiences a cumulative negative variance of more than two percent (2%) of the total budget for either local system (a budget shortfall) from its adopted budget, DWSD, as the agent of GLWA, shall, within thirty (30) days thereafter, schedule a meeting of the Reconciliation Committee to discuss a remedy for the shortfall.

In accordance with the 2018 MOU, budget shortfalls not cured by the end of the fiscal year following the year in which they arise shall be repaid in full, in installments, over a period not to exceed the next three fiscal years, plus a surcharge calculated as provided below. The surcharge factor on the portion of the budget shortfall for the Sewage Disposal Fund, which remains unpaid, shall be based on the three-year U.S. Treasury note rate plus 150 basis points. The combined 2016 and 2017 budget shortfall was paid off during the year. The 2018 budget shortfall had a remaining balance of \$8,441,496. The surcharge factor for the combined 2016 and 2017 budget shortfall and the 2018 budget shortfall were 4.125% and 3.209%, respectively.

The following is the budget shortfall loan receivable activity for the year ended June 30, 2021:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|-----------------------------|----------------------|-------------|------------------------|---------------------|------------------------|
| Sewage Disposal Fund | | | | | |
| 2017 DWSD loan receivable | \$ 10,171,496 | \$ - | \$ (10,171,496) | \$ - | - |
| 2018 DWSD loan receivable | <u>16,331,513</u> | <u>-</u> | <u>(8,034,935)</u> | <u>8,296,578</u> | <u>8,296,578</u> |
| Total DWSD Loan Receivable | <u>\$ 26,503,009</u> | <u>\$ -</u> | <u>\$ (18,206,431)</u> | <u>\$ 8,296,578</u> | <u>\$ 8,296,578</u> |

The budget shortfall loan receivable to be paid by DWSD payment schedule is as follows:

| | Year Ended June 30 | Principal | Interest | Total |
|-----------------------------|-----------------------|---------------------|-------------------|---------------------|
| Sewage Disposal Fund | | | | |
| 2018 DWSD Loan Receivable | 2022 | <u>\$ 8,296,578</u> | <u>\$ 144,918</u> | <u>\$ 8,441,496</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 10 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2021 was as follows:

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|--|----------------------|---------------|--------------|--------------|-------------------|
| Water Fund | | | | | |
| Nondepreciable capital assets | | | | | |
| Land | \$ 34,166,736 | \$ 1,000 | \$ - | \$ - | \$ 34,167,736 |
| Easements | 258,632,397 | - | - | 357,808 | 258,990,205 |
| Construction in progress | 126,197,521 | 129,834,610 | - | (51,179,102) | 204,853,029 |
| Total Nondepreciable Assets | 418,996,654 | 129,835,610 | - | (50,821,294) | 498,010,970 |
| Depreciated capital assets | | | | | |
| Site improvements | 83,676,052 | - | - | 378,128 | 84,054,180 |
| Buildings and structures | 584,306,009 | 166,940 | - | 7,874,003 | 592,346,952 |
| Infrastructure | 654,216,242 | - | - | 13,900,717 | 668,116,959 |
| Machinery and equipment | 681,905,655 | 4,890,652 | (717,244) | 28,394,174 | 714,473,237 |
| Vehicles | 3,217,111 | 1,929,580 | (77,179) | - | 5,069,512 |
| Leasehold improvements | 8,061,657 | 71,196 | - | 274,272 | 8,407,125 |
| Total Depreciable Assets | 2,015,382,726 | 7,058,368 | (794,423) | 50,821,294 | 2,072,467,965 |
| Less: Accumulated depreciation | | | | | |
| Site improvements | (39,924,460) | (7,681,207) | - | - | (47,605,667) |
| Buildings and structures | (145,619,970) | (26,041,140) | - | - | (171,661,110) |
| Infrastructure | (170,788,435) | (38,594,598) | - | - | (209,383,033) |
| Machinery and equipment | (267,221,864) | (50,126,065) | 534,302 | - | (316,813,627) |
| Vehicles | (1,634,806) | (281,331) | 76,614 | - | (1,839,523) |
| Leasehold improvements | (63,718) | (547,200) | - | - | (610,918) |
| Total Accumulated Depreciation | (625,253,253) | (123,271,541) | 610,916 | - | (747,913,878) |
| Total Depreciated Capital Assets, Net | 1,390,129,473 | (116,213,173) | (183,507) | 50,821,294 | 1,324,554,087 |
| Intangible asset – raw water rights | | | | | |
| | 106,999,919 | - | - | - | 106,999,919 |
| Less: Accumulated amortization | (9,213,882) | (3,566,664) | - | - | (12,780,546) |
| Total Intangible Assets, Net | 97,786,037 | (3,566,664) | - | - | 94,219,373 |
| Water Fund Net Capital Assets | \$1,906,912,164 | \$ 10,055,773 | \$ (183,507) | \$ - | \$1,916,784,430 |

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 10 – CAPITAL ASSETS (cont.)**

| | Beginning Balance | Additions | Disposals | Transfers | Ending Balance |
|---|----------------------|-----------------|--------------|--------------|-------------------|
| Sewage Disposal Fund | | | | | |
| Nondepreciable capital assets | | | | | |
| Land | \$ 27,634,628 | \$ - | \$ - | \$ 508,215 | \$ 28,142,843 |
| Easements | 96,211,323 | - | - | - | 96,211,323 |
| Construction in progress | 177,022,885 | 81,508,838 | - | (67,411,438) | 191,120,285 |
| Total Nondepreciable Assets | 300,868,836 | 81,508,838 | - | (66,903,223) | 315,474,451 |
| Depreciated capital assets | | | | | |
| Site improvements | 51,282,571 | 22,527 | (74,150) | 429,557 | 51,660,505 |
| Buildings and structures | 1,156,168,738 | 250,607 | - | 80,463 | 1,156,499,808 |
| Infrastructure | 619,049,149 | - | - | 770,114 | 619,819,263 |
| Machinery and equipment | 1,242,297,233 | 4,066,825 | (696,226) | 65,623,089 | 1,311,290,921 |
| Vehicles | 3,621,907 | 2,462,495 | (130,709) | - | 5,953,693 |
| Leasehold improvements | 3,066,052 | 71,196 | - | - | 3,137,248 |
| Total Depreciable Assets | 3,075,485,650 | 6,873,650 | (901,085) | 66,903,223 | 3,148,361,438 |
| Less: Accumulated depreciation | | | | | |
| Site improvements | (25,559,151) | (3,734,436) | - | - | (29,293,587) |
| Buildings and structures | (216,789,376) | (37,777,025) | - | - | (254,566,401) |
| Infrastructure | (61,873,712) | (13,734,033) | - | - | (75,607,745) |
| Machinery and equipment | (470,331,704) | (94,813,988) | 320,585 | - | (564,825,107) |
| Vehicles | (1,726,918) | (510,540) | 130,705 | - | (2,106,753) |
| Leasehold improvements | (287,142) | (202,043) | - | - | (489,185) |
| Total Accumulated Depreciation | (776,568,003) | (150,772,065) | 451,290 | - | (926,888,778) |
| Total Depreciated Capital Assets, Net | 2,298,917,647 | (143,898,415) | (449,795) | 66,903,223 | 2,221,472,660 |
| Intangible asset – right to use asset | - | 4,543,607 | - | - | 4,543,607 |
| Less: Accumulated amortization | - | (109,926) | - | - | (109,926) |
| Total Intangible Assets, Net | - | 4,433,681 | - | - | 4,433,681 |
| Sewage Disposal Fund Net Capital Assets | \$2,599,786,483 | \$ (57,955,896) | \$ (449,795) | \$ - | \$ 2,541,380,792 |
| Business-type Activities Capital Assets, Net | \$4,506,698,647 | \$ (47,900,123) | \$ (633,302) | \$ - | \$ 4,458,165,222 |

ASSET IMPAIRMENT

Capital assets are evaluated annually to determine if any asset impairments exist, defined as a significant, unexpected decline in the service utility of a capital asset. There were no recorded impairments for the Authority for the year ended June 30, 2021.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 10 – CAPITAL ASSETS (cont.)

RAW WATER RIGHTS ASSET

Effective December 1, 2017, the Authority, the City of Flint, Karegnondi Water Authority (KWA), Genesee County Drain Commission (GCDC) and State of Michigan entered into a long-term partnership agreement to satisfy a number of critical water service needs across the region. Key provisions of a master agreement includes: 1) a 30-year water service contract with the City of Flint that establishes the Authority as the long-term water source for the City of Flint and credits the City of Flint for its debt service payment obligations on existing KWA bonds for the building of its raw water intake and supply line; 2) a license to the Authority of the 72-inch line serving the City of Flint; and 3) a 30-year contract for reciprocal, emergency water services between the Authority and GCDC.

The 30-year water service contract with the City of Flint includes a license to raw water rights on 17.46 MGD of the 18 MGD purchased by Flint as part of KWA bond obligation. These license rights constitute an intangible asset under governmental accounting standards. Therefore, the Authority has recorded an intangible asset and purchase obligation liability of approximately \$107 million associated with this agreement in the accompanying financial statements. The Authority is amortizing the intangible asset over 30 years. As the City of Flint satisfies its monthly bond payment obligations to KWA, the Authority credits Flint's water invoice for that payment and reduces the Authority's purchase obligation. This process will continue each year over the 30-year life of the asset.

NOTE 11 – OTHER ACCRUED LIABILITIES

As described in Note 1, other accrued liabilities in the statement of net position are as follows:

| | Water Fund | Sewage Disposal Fund |
|-----------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Cash held for the benefit of DWSD | \$ 3,144,400 | \$ 2,919,797 |
| Advanced insurance proceeds | - | 1,695,458 |
| Customer deposit | <u>3,814,156</u> | <u>-</u> |
| Total Other Accrued Liabilities | <u>\$ 6,958,556</u> | <u>\$ 4,615,255</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 12 – Due to Other Governments

Due to other governments, which consists entirely of amounts due to the DWSD, in the statement of net position is as follows:

| | Water Fund | Sewage Disposal Fund |
|--------------------------------|----------------------|----------------------------|
| Shared services | \$ 15,693,993 | \$ - |
| Green infrastructure | - | 3,750,000 |
| Total Due to Other Governments | <u>\$ 15,693,993</u> | <u>\$ 3,750,000</u> |

NOTE 13 – LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2021 were as follows:

| | Beginning Balance | Increase | Decrease | Debt Forgiveness | Ending Balance | Due Within One Year |
|---|-------------------------|----------------------|------------------------|-----------------------|-------------------------|------------------------|
| Water Fund | | | | | | |
| Bonds and Loans | | | | | | |
| Revenue bonds | \$ 2,261,935,000 | \$ - | \$ (69,425,000) | \$ - | \$ 2,192,510,000 | \$ 14,390,000 |
| Notes from direct borrowings and direct placements - State revolving loan | <u>39,318,264</u> | <u>35,927,637</u> | <u>(1,955,000)</u> | <u>(2,031,300)</u> | <u>71,259,601</u> | <u>2,998,056</u> |
| Total Bonds and Loans | 2,301,253,264 | 35,927,637 | (71,380,000) | (2,031,300) | 2,263,769,601 | 17,388,056 |
| Deferred amounts for: | | | | | | |
| Unamortized premiums | 200,499,211 | - | (16,779,986) | - | 183,719,225 | 16,248,084 |
| Unamortized discounts | <u>(8,963,123)</u> | <u>-</u> | <u>1,366,371</u> | <u>-</u> | <u>(7,596,752)</u> | <u>(1,135,690)</u> |
| Total Bonds and Loans, Net | 2,492,789,352 | 35,927,637 | (86,793,615) | (2,031,300) | 2,439,892,074 | 32,500,450 |
| Other Debt | | | | | | |
| Raw water rights obligation | 100,720,122 | - | (2,624,820) | - | 98,095,302 | 2,734,246 |
| Obligation payable | <u>16,921,526</u> | <u>-</u> | <u>(184,991)</u> | <u>-</u> | <u>16,736,535</u> | <u>194,242</u> |
| Total Water Fund Debt | <u>\$ 2,610,431,000</u> | <u>\$ 35,927,637</u> | <u>\$ (89,603,426)</u> | <u>\$ (2,031,300)</u> | <u>\$ 2,554,723,911</u> | <u>\$ 35,428,938</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 13 – LONG-TERM DEBT (cont.)**

| | Beginning Balance | Increase | Decrease | Debt Forgiveness | Ending Balance | Due Within One Year |
|---|-------------------------|----------------------|-------------------------|-----------------------|-------------------------|------------------------|
| Sewage Disposal Fund | | | | | | |
| Bonds and Loans | | | | | | |
| Revenue bonds | \$ 2,578,220,000 | \$ - | \$ (62,765,000) | \$ - | \$ 2,515,455,000 | \$ 31,545,000 |
| Capital appreciation bonds | 11,335,000 | - | (5,660,000) | - | 5,675,000 | 5,675,000 |
| Notes from direct borrowings and direct placements-State revolving loan | <u>449,666,531</u> | <u>17,261,319</u> | <u>(50,160,000)</u> | <u>-</u> | <u>416,767,850</u> | <u>46,815,000</u> |
| Total Bonds and Loans | 3,039,221,531 | 17,261,319 | (118,585,000) | - | 2,937,897,850 | 84,035,000 |
| Discount on capital appreciation bonds | (667,440) | - | 496,509 | - | (170,931) | (170,931) |
| Deferred amounts for: | | | | | | |
| Unamortized premiums | 143,614,085 | - | (12,935,379) | - | 130,678,706 | 12,720,139 |
| Unamortized discounts | <u>(78,045,717)</u> | <u>-</u> | <u>9,554,410</u> | <u>-</u> | <u>(68,491,307)</u> | <u>(9,174,925)</u> |
| Total Bonds and Loans, Net | 3,104,122,459 | 17,261,319 | (121,469,460) | - | 2,999,914,318 | 87,409,283 |
| Other Debt | | | | | | |
| Obligation payable | <u>38,061,886</u> | <u>-</u> | <u>(416,106)</u> | <u>-</u> | <u>37,645,780</u> | <u>436,911</u> |
| Total Sewage Disposal Fund Debt | <u>3,142,184,345</u> | <u>17,261,319</u> | <u>(121,885,566)</u> | <u>-</u> | <u>3,037,560,098</u> | <u>87,846,194</u> |
| Total Business-type Activities | <u>\$ 5,752,615,345</u> | <u>\$ 53,188,956</u> | <u>\$ (211,488,992)</u> | <u>\$ (2,031,300)</u> | <u>\$ 5,592,284,009</u> | <u>\$ 123,275,132</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 13 – LONG-TERM DEBT (cont.)**

As of June 30, 2021, aggregate debt service requirements of the Authority's bonds and loans (fixed and variable-rate) instruments were as follows. These amounts assume that current interest rates on variable-rate bonds will remain the same for their respective terms. As these rates vary, interest payments on variable-rate bonds will vary.

| Year Ended June 30 | Bonds | | Notes from Direct Borrowings and Direct Placements | | Total |
|--------------------------------|-------------------------|-------------------------|---|----------------------|-------------------------|
| | Principal | Interest | Principal | Interest | |
| Water Fund | | | | | |
| 2022 | \$ 14,390,000 | \$ 85,258,042 | \$ 2,998,056 | \$ 1,485,190 | \$ 104,131,288 |
| 2023 | 69,395,000 | 100,051,172 | 4,793,700 | 1,432,497 | 175,672,369 |
| 2024 | 76,930,000 | 96,484,833 | 5,260,000 | 1,327,848 | 180,002,681 |
| 2025 | 82,590,000 | 92,746,039 | 5,192,665 | 1,219,158 | 181,747,862 |
| 2026 | 86,340,000 | 88,879,460 | 5,100,000 | 1,111,932 | 181,431,392 |
| 2027-2031 | 500,015,000 | 376,763,776 | 20,063,761 | 4,194,249 | 901,036,786 |
| 2032-2036 | 613,885,000 | 239,487,152 | 14,767,059 | 2,278,230 | 870,417,441 |
| 2037-2041 | 389,735,000 | 116,376,037 | 7,064,051 | 1,143,042 | 514,318,130 |
| 2042-2046 | 282,770,000 | 53,041,549 | 4,215,667 | 494,999 | 340,522,215 |
| 2047-2050 | 76,460,000 | 3,558,750 | 1,804,642 | 68,019 | 81,891,411 |
| Total Water Fund | <u>2,192,510,000</u> | <u>1,252,646,810</u> | <u>71,259,601</u> | <u>14,755,164</u> | <u>3,531,171,575</u> |
| Sewage Disposal Fund | | | | | |
| 2022 | 37,220,000 | 80,797,355 | 46,815,000 | 9,116,713 | 173,949,068 |
| 2023 | 79,830,000 | 97,276,036 | 47,804,430 | 8,024,829 | 232,935,295 |
| 2024 | 83,475,000 | 93,541,417 | 40,225,000 | 7,001,925 | 224,243,342 |
| 2025 | 98,650,000 | 89,406,369 | 41,125,870 | 6,086,982 | 235,269,221 |
| 2026 | 101,895,000 | 84,765,356 | 27,200,072 | 5,290,838 | 219,151,266 |
| 2027 - 2031 | 637,360,000 | 354,423,511 | 114,924,703 | 18,520,878 | 1,125,229,092 |
| 2032 - 2036 | 797,290,000 | 217,545,887 | 73,376,782 | 8,083,012 | 1,096,295,681 |
| 2037 - 2041 | 554,175,000 | 61,449,050 | 23,215,993 | 1,257,263 | 640,097,306 |
| 2042 - 2046 | 116,585,000 | 13,190,861 | 2,080,000 | 41,800 | 131,897,661 |
| 2047 - 2049 | 14,650,000 | 1,122,750 | - | - | 15,772,750 |
| Total Sewage Disposal Fund | <u>2,521,130,000</u> | <u>1,093,518,592</u> | <u>416,767,850</u> | <u>63,424,240</u> | <u>4,094,840,682</u> |
| Total Business-type Activities | <u>\$ 4,713,640,000</u> | <u>\$ 2,346,165,402</u> | <u>\$ 488,027,451</u> | <u>\$ 78,179,404</u> | <u>\$ 7,626,012,257</u> |

For bonds issued through the Michigan Finance Authority (MFA) in 2014 and 2015, the Authority is required to make payment on these obligations to the MFA depository account five business days prior to the actual due date of the bond principal and interest payments. Therefore, the payments for principal and interest due on July 1, 2021 are not included in the debt service requirements amounts above as they were paid on June 24, 2021.

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 13 – LONG-TERM DEBT (cont.)****REVENUE AND CAPITAL APPRECIATION BONDS PAYABLE**

Net revenues of the Authority are pledged to repayment of bonds; following are the revenue bonds payable at June 30, 2021:

| Issue | Bond Date | Original Issue Amount | Range of Interest Rates | Maturity Dates | Outstanding Ending Balance | Callable at Par |
|--|-----------|-----------------------|-------------------------|----------------|----------------------------|--------------------|
| Water Fund | | | | | | |
| Series 2003A | 1/30/03 | \$ 234,805,000 | 5.00% | 7/01/34 | \$ 100,000 | \$100,000 |
| Series 2003B | 1/30/03 | 172,945,000 | 5.00% | 7/01/34 | 100,000 | 100,000 |
| Series 2005B | 5/14/08 | 194,900,000 | 5.25% | 7/01/35 | 100,000 | 100,000 |
| Series 2006A | 8/16/06 | 280,000,000 | 5.00% | 7/01/34 | 100,000 | 100,000 |
| Series 2006B | 4/01/09 | 120,000,000 | 6.25% | 7/01/36 | 100,000 | 100,000 |
| Series 2011B | 12/22/11 | 17,195,000 | 5.00% | 7/01/21 | 575,000 | - |
| Series 2011C | 12/22/11 | 103,890,000 | 5.00% | 7/01/21 | 1,020,000 | - |
| Series 2014D-1 | 9/04/14 | 206,540,000 | 5.00% | 7/01/22-37 | 112,450,000 | 44,190,000 |
| Series 2014D-2 | 9/04/14 | 188,455,000 | 5.00% | 7/01/23-28 | 188,455,000 | 136,925,000 |
| Series 2014D-4 | 9/04/14 | 307,645,000 | 5.00% | 7/01/29-34 | 209,360,000 | 209,360,000 |
| Series 2014D-6 | 9/04/14 | 65,425,000 | 5.00% | 7/01/22-36 | 51,570,000 | 43,690,000 |
| Series 2015D-1 | 12/15/15 | 89,430,000 | 5.00% | 7/01/22-35 | 75,200,000 | 69,275,000 |
| Series 2015D-2 | 12/15/15 | 37,235,000 | 5.00% | 7/01/34 | 37,235,000 | 37,235,000 |
| Series 2016A | 10/27/16 | 88,000,000 | 5.00% | 7/01/21-46 | 88,000,000 | 87,970,000 |
| Series 2016B | 10/27/16 | 163,830,000 | 5.00% | 7/01/21-46 | 163,830,000 | 163,800,000 |
| Series 2016C | 10/27/16 | 443,930,000 | 5.00-5.25% | 7/01/22-35 | 443,930,000 | 367,685,000 |
| Series 2016D | 10/27/16 | 222,045,000 | 4.00-5.00% | 7/01/24-36 | 222,045,000 | 217,380,000 |
| Series 2018A | 10/3/18 | 155,595,000 | 5.00% | 7/01/21-29 | 135,245,000 | - |
| Series 2020A | 5/12/20 | 42,445,000 | 5.00% | 7/1/24-49 | 42,445,000 | 35,685,000 |
| Series 2020B | 5/12/20 | 43,135,000 | 5.00% | 7/1/24-49 | 43,135,000 | 36,265,000 |
| Series 2020C** | 5/12/20 | 377,515,000 | 1.684-3.473% | 7/1/22-41 | <u>377,515,000</u> | <u>317,530,000</u> |
| Total Water Fund Revenue Bonds Payable | | | | | \$ 2,192,510,000 | |

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 13 – LONG-TERM DEBT (cont.)****REVENUE AND CAPITAL APPRECIATION BONDS PAYABLE (cont.)**

| Issue | Bond Date | Original Issue Amount | Range of Interest Rates | Maturity Dates | Outstanding Ending Balance | Callable at Par |
|-----------------------------|-----------|-----------------------|-------------------------|----------------|----------------------------|-------------------|
| Sewage Disposal Fund | | | | | | |
| Series 1999A*** | 12/01/99 | \$ 33,510,118 | - | 7/01/21 | \$ 5,675,000 | \$ - |
| Series 2001B | 9/15/01 | 110,550,000 | 5.50% | 7/01/23-29 | 78,895,000 | - |
| Series 2003B | 6/17/09 | 150,000,000 | 7.50% | 7/01/33 | 100,000 | 100,000 |
| Series 2004A | 2/12/04 | 101,435,000 | 5.25% | 7/01/21-24 | 14,050,000 | - |
| Series 2005A | 3/17/05 | 273,355,000 | 4.50% | 7/01/35 | 100,000 | 100,000 |
| Series 2005B | 3/17/05 | 40,215,000 | 5.50% | 7/01/21-22 | 17,115,000 | - |
| Series 2005C | 4/05/05 | 63,160,000 | 5.00% | 7/01/25 | 100,000 | 100,000 |
| Series 2006B | 8/10/06 | 250,000,000 | 5.00% | 7/01/36 | 100,000 | 100,000 |
| Series 2006D | 12/14/06 | 370,000,000 | Variable(*) | 7/01/26-32 | 239,475,000 | 239,475,000 |
| Series 2012A | 6/26/12 | 659,780,000 | 5.00% | 7/01/21-23 | 41,525,000 | 17,985,000 |
| Series 2014C-1 | 9/04/14 | 123,220,000 | 5.00% | 7/01/22 | 5,000 | - |
| Series 2014C-2 | 9/04/14 | 27,470,000 | 5.00% | 7/01/22 | 5,000 | - |
| Series 2014C-3 | 9/04/14 | 446,170,000 | 5.00% | 7/01/22-33 | 420,745,000 | 303,570,000 |
| Series 2014C-6 | 9/04/14 | 143,880,000 | 5.00% | 7/01/32-33 | 88,900,000 | 88,900,000 |
| Series 2014C-7 | 9/04/14 | 76,715,000 | 5.00% | 7/01/22-36 | 55,210,000 | 44,065,000 |
| Series 2015C | 12/15/15 | 197,660,000 | 5.00% | 7/01/26-35 | 197,160,000 | 197,160,000 |
| Series 2016B | 10/27/16 | 126,105,000 | 5.00% | 7/01/24-34 | 126,105,000 | 111,660,000 |
| Series 2016C | 10/27/16 | 295,190,000 | 4.00-5.00% | 7/01/27-36 | 295,190,000 | 295,190,000 |
| Series 2018A | 10/03/18 | 81,595,000 | 4.00-5.00% | 7/1/21-48 | 80,225,000 | 67,040,000 |
| Series 2018B | 10/03/18 | 131,690,000 | 5.00% | 7/1/24-49 | 131,690,000 | - |
| Series 2018C | 10/03/18 | 44,180,000 | 3.249-3.613% | 7/1/21-24 | 41,305,000 | - |
| Series 2020A** | 6/16/20 | 594,930,000 | 1.503-3.506% | 7/01/23-44 | 594,930,000 | 108,540,000 |
| Series 2020B** | 6/16/20 | 92,525,000 | 1.442-3.606% | 7/1/21-44 | <u>92,525,000</u> | <u>15,325,000</u> |

Total Sewage Disposal Fund Revenue and
Capital Appreciation Bonds Payable

2,521,130,000

Total Business-type Activities

\$ 4,713,640,000

* Interest rates are reset quarterly based upon a formula specified in the bond using the three-month LIBOR rate.

** Taxable bond

*** Bonds are capital appreciation bonds. The outstanding balance represents the discounted present value.

Refunded Debt – Water Fund

In prior years, the Authority's Water Fund defeased certain bonds by placing the proceeds of new bonds in and irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. At June 30, 2021, the balance of the bonds considered to be defeased is \$366,025,000. These defeased bonds include the following revenue bonds: \$289,605,000 Series 2011A, \$2,295,000 Series 2011B and \$74,125,000 of Series 2011C. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. These bonds were called July 1, 2021.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 13 – LONG-TERM DEBT (cont.)

REVENUE AND CAPITAL APPRECIATION BONDS PAYABLE (cont.)

Refunded Debt – Sewage Disposal Fund

In prior years, the Authority's Sewage Disposal Fund defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts for the purpose of generating resources for all future debt service payments on the refunded debt. As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position. At June 30, 2021, the balance of the bonds considered to be defeased is \$657,245,000. These defeased bonds include the following revenue bonds: \$419,810,000 Series 2012A (call date 7/1/22), \$123,200,000 Series 2014C-1 (call date 7/1/22), \$27,450,000 2014C-2 (call date 7/1/22), \$31,785,000 Series 2005A (call date 7/1/21) and \$55,000,000 Series 2006B (call date 7/1/21) As a result, the refunded bonds are considered to be defeased and the trust fund assets and related liabilities have been removed from the statement of net position.

STATE REVOLVING LOANS PAYABLE

The Authority participates in direct borrowings through the State of Michigan Drinking Water Revolving fund (DWRF) to finance qualified water supply system projects and the Clean Water Revolving Fund (CWRF) to finance qualified sewage disposal system projects. As GLWA draws additional amounts, the outstanding principal amounts of such loans will correspondingly increase. All loans are callable under terms specified in the loan agreements.

The Authority's Water Fund received direct borrowing loans from the State of Michigan Revolving Loan Fund totaling \$35,927,637 of which \$2,031,300 has been forgiven, and the Sewage Disposal Fund received \$17,261,319 during the year ended June 30, 2021. The water loans forgiven and \$15,741,108 of the proceeds of the Water Fund loans were a pass through to DWSD, the subrecipient of the loans. The remaining proceeds of the Water Fund loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the regional water system. The proceeds of the Sewage Disposal Fund loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the regional sewage disposal system. At June 30, 2021, \$68,979,958 for the Water Fund and \$34,051,648 for the Sewage Disposal Fund was authorized and unissued. Of the authorized and unissued \$30,279,237 for the Water Fund and \$4,040,000 of the Sewage Disposal Fund are for pass through loans to DWSD.

Net revenues of the Authority are pledged for repayment of the loans.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 13 – LONG-TERM DEBT (cont.)

STATE REVOLVING LOANS PAYABLE (cont.)

The following is a schedule of the state revolving loans payable at June 30, 2021:

| Issue | Bond Date | Amount Issued | Range of Interest Rates | Maturity Dates | Outstanding Ending Balance |
|--|-----------|---------------|-------------------------|----------------|----------------------------|
| Water Fund | | | | | |
| Series 2005 SRF-1 | 9/22/05 | \$ 13,805,164 | 2.125% | 10/01/21-26 | \$ 4,605,164 |
| Series 2005 SRF-2 | 9/22/05 | 8,891,730 | 2.125% | 10/01/21-26 | 2,906,730 |
| Series 2006 SRF-1 | 9/21/06 | 5,180,926 | 2.125% | 10/01/21-26 | 1,715,926 |
| Series 2008 SRF-1 | 9/29/08 | 2,590,941 | 2.50% | 10/01/21-28 | 845,941 |
| Series 2016 SRF-1 | 9/16/16 | 8,273,168 | 2.50% | 4/01/22-48 | 7,663,168 |
| Series 2016 SRF-2 | 9/16/16 | 3,393,543 | 2.50% | 4/01/22-48 | 3,138,543 |
| Series 2017 SRF-1 | 6/23/17 | 5,807,931 | 2.50% | 10/1/21-48 | 5,502,931 |
| Series 2019 SRF-1 | 6/7/19 | 8,330,000 | 2.00% | 10/1/21-39 | 7,764,051 |
| Series 2019 SRF-2 | 8/30/19 | 29,950,000 | 2.00% | 4/1/23-34 | 15,778,733 |
| Series 2019 SRF-3 | 8/30/19 | 11,788,056 | 2.00% | 10/1/21-42 | 7,683,723 |
| Series 2020 SRF-1 | 7/31/20 | 20,538,700 | 2.00% | 4/1/23-36 | 7,718,196 |
| Series 2020 SRF-2 | 8/28/20 | 9,000,000 | 2.00% | 10/1/23-24 | 567,665 |
| Series 2020 SRF-3 | 8/28/20 | 8,960,000 | 2.00% | 10/1/22-34 | 5,368,830 |
| Series 2020 SRF-4 | 9/30/20 | 12,153,050 | 2.00% | - | - |
| Series 2021 SRF-1 | 6/21/21 | 11,940,000 | 1.875% | - | - |
| Total Water Fund State Revolving Loans Payable | | | | | <u>71,259,601</u> |

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 13 – LONG-TERM DEBT (cont.)****STATE REVOLVING LOANS PAYABLE (cont.)**

| Issue | Bond Date | Amount Issued | Range of Interest Rates | Maturity Dates | Outstanding Ending Balance |
|--|-----------|---------------|-------------------------|----------------|----------------------------|
| Sewage Disposal Fund | | | | | |
| Series 1999 SRF-2 | 9/30/99 | 46,000,000 | 2.50% | 10/01/21-22 | 5,700,000 |
| Series 2000 SRF-1 | 3/30/00 | 44,197,995 | 2.50% | 10/01/21-22 | 5,297,995 |
| Series 2000 SRF-2 | 9/28/00 | 64,401,066 | 2.50% | 10/01/21-22 | 7,941,066 |
| Series 2001 SRF-1 | 6/28/01 | 82,200,000 | 2.50% | 10/01/21-24 | 19,880,000 |
| Series 2001 SRF-2 | 12/20/01 | 59,850,000 | 2.50% | 10/01/21-24 | 14,475,000 |
| Series 2002 SRF-1 | 6/27/02 | 18,985,000 | 2.50% | 4/01/22-23 | 2,350,000 |
| Series 2002 SRF-2 | 6/27/02 | 1,545,369 | 2.50% | 4/01/22-23 | 190,369 |
| Series 2002 SRF-3 | 12/19/02 | 31,549,466 | 2.50% | 10/01/21-24 | 7,024,466 |
| Series 2003 SRF-1 | 6/26/03 | 48,520,000 | 2.50% | 10/01/21-25 | 14,490,000 |
| Series 2003 SRF-2 | 9/25/03 | 25,055,370 | 2.50% | 4/01/22-25 | 6,015,370 |
| Series 2004 SRF-1 | 6/24/04 | 2,910,000 | 2.125% | 10/01/21-24 | 685,000 |
| Series 2004 SRF-2 | 6/24/04 | 18,353,459 | 2.125% | 4/01/22-25 | 4,303,459 |
| Series 2004 SRF-3 | 6/24/04 | 12,722,575 | 2.125% | 4/01/22-25 | 2,972,575 |
| Series 2007 SRF-1 | 9/20/07 | 167,540,598 | 1.625% | 10/01/21-29 | 82,115,598 |
| Series 2009 SRF-1 | 4/17/09 | 13,970,062 | 2.50% | 4/01/22-30 | 6,915,062 |
| Series 2010 SRF-1 | 1/22/10 | 4,214,763 | 2.50% | 4/01/22-31 | 2,325,763 |
| Series 2012 SRF-1 | 8/30/12 | 14,950,000 | 2.50% | 10/01/21-34 | 11,215,000 |
| Series 2015A SRF | 3/20/15 | 79,500,000 | 2.50% | 4/01/22-36 | 63,145,000 |
| Series 2015B SRF | 3/20/15 | 27,175,304 | 2.50% | 10/01/21-35 | 21,185,304 |
| Series 2015D SRF | 12/11/15 | 15,321,478 | 2.50% | 10/01/21-35 | 11,716,478 |
| Series 2016 SAW-1 | 5/25/16 | 10,000,000 | 2.50% | 10/01/21-38 | 9,210,000 |
| Series 2016 SRF-1 | 9/16/16 | 15,463,628 | 2.50% | 4/01/22-38 | 13,333,628 |
| Series 2016 SRF-2 | 9/16/16 | 48,315,683 | 2.50% | 4/01/22-39 | 44,245,683 |
| Series 2017 SRF-1 | 6/23/17 | 33,566,682 | 2.50% | 10/01/21-38 | 31,246,682 |
| Series 2018 SRF-2 | 9/14/18 | 17,510,000 | 2.00% | 10/01/23-42 | 17,510,000 |
| Series 2020 SRF-1 | 3/27/20 | 28,350,000 | 2.00% | 10/1/23-44 | 9,728,280 |
| Series 2020 SRF-2 | 9/30/20 | 3,232,000 | 2.00% | - | - |
| Series 2021 SRF-1 | 3/26/21 | 12,940,000 | 1.875% | 10/1/23-25 | 1,550,072 |
| Total Sewage Disposal Fund State Revolving Loans Payable | | | | | <u>416,767,850</u> |
| Total Business-type Activities | | | | | <u>\$ 488,027,451</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 13 – LONG-TERM DEBT (cont.)

PLEDGES OF FUTURE REVENUE

The Authority has pledged assets to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The Water System bonds and loans are paid solely from the net revenues of the Water System and the Sewer System bonds and loans are paid solely from the net revenues of the Sewer System. Net revenues are defined in the Great Lakes Water Authority Water and Sewer Master Bond Ordinances as all revenues except those transferred to the Operation and Maintenance funds. These revenues are further defined to include the revenues from the Retail Customers who are serviced under the Water and Sewer Services Agreement with the City of Detroit which are reported in the financial statements of the City of Detroit Water and Sewerage Department. The pledged revenues calculation for the fiscal year ending June 30, 2021 includes revenues reported by the Great Lakes Water Authority and the City of Detroit Water and Sewerage Department as this revenue is pledged for payment of the bonds and loans of the Great Lakes Water Authority.

The general purpose of the Water System debt is to provide funding for various water treatment and transmission capital improvements, refund certain water revenue bonds, pay termination amounts for interest rate swap agreements and fund reserve requirements. The general purpose of the Sewer System bonds is to provide funding for various wastewater treatment and collection activities, capital improvements, refund certain sewage disposal revenue bonds, pay termination amounts for interest rate swap agreements and fund reserve requirements. The term of pledge commitment for the water bonds is 2050 and the sewage disposal bonds is through 2049.

See table below for pledged revenue coverage as of June 30, 2021:

| | Water Fund | Sewage Disposal Fund |
|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Remaining principal and interest requirement | \$ 3,531,171,575 | \$ 4,094,840,682 |
| Principal and interest funding requirement for the year ending June 30, 2021 (computed consistent with rate covenant basis for rate determination purposes. Not applicable for purpose of additional bond test) | \$ 179,214,379 | \$ 230,162,876 |
| Pledged revenue for the year ending June 30, 2021 | \$ 247,783,639 | \$ 312,386,395 |
| Pledged revenue collected as a percentage of funding requirement | 138% | 136% |

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 13 – LONG-TERM DEBT (cont.)****DEBT RATINGS**

In March 2020, Standard & Poor's Global Ratings Services affirmed the ratings on the water system senior lien debt of AA- and the water system second lien debt of A+ and assigned a stable outlook. It also upgraded the ratings on the sewage disposal system senior lien debt by one notch to AA- and the sewage disposal system second lien debt by one notch to A+. Both were assigned a stable outlook. Moody's Investor Services upgraded the ratings on the water and sewage disposal system senior lien debt by one notch to A1 and second lien debt by one notch to A2. The ratings outlook for both remained stable. Fitch upgraded the ratings on the water system and sewage disposal system senior lien debt by one notch to A+ and second lien debt by one notch to an A. Both with a stable outlook.

The Authority was asked by the State to seek a rating for the junior lien debt, as this is the debt category of most of the state revolving fund bonds. In November 2018, S&P Global Ratings assigned an A+ rating to the Authority's junior lien water system SRF bonds and an A rating to the Authority's junior lien sewage disposal system SRF bonds. In March 2020, the junior lien sewage disposal system SRF bonds were upgraded to A+.

RAW WATER RIGHTS OBLIGATION

An obligation has been recorded related to the license of the raw water rights that were part of the 30-year service contract with the City of Flint. This obligation represents the future credits to the City of Flint's water bills as the City of Flint satisfies its monthly bond payment obligations to KWA. See related footnote for the raw water rights intangible asset (Note 10).

The future credits to be issued are detailed below:

| | Year Ended June 30 | Principal | Interest | Total |
|-------------------------|-----------------------|----------------------|----------------------|-----------------------|
| Water Fund | | | | |
| | 2022 | \$ 2,734,246 | \$ 3,919,206 | \$ 6,653,452 |
| | 2023 | 2,845,282 | 3,806,495 | 6,651,777 |
| | 2024 | 2,963,619 | 3,689,208 | 6,652,827 |
| | 2025 | 3,085,994 | 3,567,008 | 6,653,002 |
| | 2026 | 3,212,750 | 3,439,803 | 6,652,553 |
| | 2027 - 2031 | 18,161,001 | 15,099,718 | 33,260,719 |
| | 2032 – 2036 | 22,226,263 | 11,034,794 | 33,261,057 |
| | 2037 - 2041 | 27,203,739 | 6,059,461 | 33,263,200 |
| | 2042 - 2046 | 15,662,408 | 989,106 | 16,651,514 |
| Total Water Fund | | <u>\$ 98,095,302</u> | <u>\$ 51,604,799</u> | <u>\$ 149,700,101</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 13 – LONG-TERM DEBT (cont.)

OBLIGATION PAYABLE – CITY OF DETROIT 2014 FINANCIAL RECOVERY BONDS

The Financial Recovery Bonds, Series 2014-B are federally taxable. The Series 2014-B bonds have two components: B(1) which has a 4.0 percent per annum interest rate and B(2) which has a variable interest rate until the maturity date of April 1, 2044. The bonds were delivered to classes of creditors in satisfaction of: (1) Class 12 OPEB claims the bonds were distributed to the new Voluntary Employee Beneficiary Associations (VEBA) for the general retirees and police and fire retirees; (2) Class 9 Pension Obligation Certificate (POC) claims; and (3) other unsecured bankruptcy claims. GLWA has a contractual obligation to pay a portion of the bonds based on an agreed-upon allocation percentage.

The Financial Recovery Bonds, Series 2014-C were issued with interest at 5.0 percent per annum. The 2014-C bonds were issued as part of the Syncora Settlement and FGIC/POC Settlement in the bankruptcy plan. GLWA has a contractual obligation to pay a portion of the bonds based on an agreed-upon allocation percentage.

In 2018, the governing body of the City of Detroit authorized the use of general funds for the full redemption of the General Obligation Bonds, 2014 Series C, including the amount allocated to the Authority. The 2014 Series C debt was fully redeemed on April 13, 2018. In addition, on December 13, 2018, the City issued Financial Recovery Refunding Bonds to redeem a portion of the 2014 Series B. The Authority will repay the City of Detroit General Fund under the terms of the original debt payment schedules for the 2014 Series B & C General Obligation Bonds, with principal and interest due on June 30 each year.

The following is a schedule of the obligation payable for the Financial Recovery Bonds at June 30, 2021:

| <u>Bond Issue</u> | <u>Original Issue Amount</u> | <u>Range of Interest Rates</u> | <u>Maturity Date</u> | <u>Outstanding Ending Balance</u> |
|--------------------------------|--------------------------------------|--------------------------------|--------------------------|---|
| Water Fund | | | | |
| Series 2014-B | \$ 26,540,080 | 4.00% and variable | 4/1/44 | \$ 15,556,025 |
| Series 2014-C | 3,829,794 | 5.00% | 6/30/27 | <u>1,180,510</u> |
| Total Water Fund | | | | <u>16,736,535</u> |
| Sewage Disposal Fund | | | | |
| Series 2014-B | 44,233,463 | 4.00% and variable | 4/1/44 | 34,990,439 |
| Series 2014-C | 6,382,990 | 5.00% | 6/30/27 | <u>2,655,341</u> |
| Total Sewage Disposal Fund | | | | <u>37,645,780</u> |
| Total Business-type Activities | | | | <u>\$ 54,382,315</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 13 – LONG-TERM DEBT (cont.)

OBLIGATION PAYABLE – CITY OF DETROIT 2014 FINANCIAL RECOVERY BONDS (cont.)

As of June 30, 2021, debt service requirements of the obligation payable for the Financial Recovery Bonds were as follows:

| Year Ended June 30 | Principal | Interest | Total |
|--------------------------------|----------------------|----------------------|----------------------|
| Water Fund | | | |
| 2022 | \$ 194,242 | \$ 681,267 | \$ 875,509 |
| 2023 | 203,954 | 671,554 | 875,508 |
| 2024 | 214,151 | 661,357 | 875,508 |
| 2025 | 1,002,661 | 650,649 | 1,653,310 |
| 2026 | 1,013,904 | 608,294 | 1,622,198 |
| 2027 - 2031 | 3,996,210 | 2,494,325 | 6,490,535 |
| 2032 - 2036 | 3,889,008 | 2,006,728 | 5,895,736 |
| 2037 - 2041 | 3,889,008 | 1,400,043 | 5,289,051 |
| 2042 - 2044 | <u>2,333,397</u> | <u>280,009</u> | <u>2,613,406</u> |
| Total Water Fund | <u>\$ 16,736,535</u> | <u>\$ 9,454,226</u> | <u>\$ 26,190,761</u> |
| Sewage Disposal Fund | | | |
| 2022 | \$ 436,911 | \$ 1,532,384 | \$ 1,969,295 |
| 2023 | 458,757 | 1,510,539 | 1,969,296 |
| 2024 | 481,694 | 1,487,601 | 1,969,295 |
| 2025 | 2,255,301 | 1,463,516 | 3,718,817 |
| 2026 | 2,280,590 | 1,368,246 | 3,648,836 |
| 2027 - 2031 | 8,988,740 | 5,610,525 | 14,599,265 |
| 2032 - 2036 | 8,747,608 | 4,513,765 | 13,261,373 |
| 2037 - 2041 | 8,747,608 | 3,149,139 | 11,896,747 |
| 2042 - 2044 | <u>5,248,571</u> | <u>629,828</u> | <u>5,878,399</u> |
| Total Sewage Disposal Fund | <u>\$ 37,645,780</u> | <u>\$ 21,265,543</u> | <u>\$ 58,911,323</u> |
| Total Business-type Activities | <u>\$ 54,382,315</u> | <u>\$ 30,719,769</u> | <u>\$ 85,102,084</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 13 – LONG-TERM DEBT (cont.)

INTEREST EXPENSE

The following represents the amounts recorded as interest expense for the year ended June 30, 2021:

| | Water Fund | Sewage Disposal Fund | Total Business-type Activities |
|--------------------------|-----------------------|-------------------------|--------------------------------------|
| Revenue bonds and loans | \$ 106,298,918 | \$ 112,558,349 | \$ 218,857,267 |
| Regional System Lease | 17,249,352 | 21,082,541 | 38,331,893 |
| Lease-raw water rights | 4,018,581 | - | 4,018,581 |
| Obligation payable | 690,516 | 1,553,190 | 2,243,706 |
| Lease-right to use asset | - | 33,567 | 33,567 |
| | <hr/> | <hr/> | <hr/> |
| Total Interest Expense | <u>\$ 128,257,367</u> | <u>\$ 135,227,647</u> | <u>\$ 263,485,014</u> |

NOTE 14 – REGIONAL SYSTEMS LEASES PAYABLE AND RELATED PREPAID LEASE

On January 1, 2016, the Authority effectuated lease agreements with the City for the regional water and sewage disposal systems for a term of 40 years, to be extended automatically to coincide with the final maturity of any bonds issued to finance improvements to the regional or local sewage disposal systems. The agreements collectively provide for an annual lease payment of \$50 million. Currently, \$22,500,000 is allocated to the Water Fund and \$27,500,000 is allocated to the Sewage Disposal Fund. The lease for the water system provides service to the wholesale customers and the retail water customers of the City up to the point of connection to the local water system facilities of the City. The lease for the sewage disposal system provides service to the wholesale customers and the retail sewage disposal customers of the City up to the point of connection to the local sewage disposal system facilities of the City. In addition, both leases provide that certain other assets including cash and investments held by DWSD as of December 31, 2015 be transferred to GLWA, all revenues of the regional and local water and sewage disposal systems are assigned to GLWA, and that GLWA assumes all DWSD bonded debt and certain other liabilities. The long-term leases are recorded as the present value of all future debt payments.

The regional system leases were recorded under GASB 69 to record the acquisition of the operations of the City of Detroit water and sewage disposal systems. The liability for the leases is allocated in the computation of net position based upon the components of net position acquired. Under the definitions of the regional system leases all improvements, additions and replacements to the original facilities acquired are considered to be leased facilities.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 14 – REGIONAL SYSTEMS LEASES PAYABLE AND RELATED PREPAID LEASE (cont.)

Amounts reported as a liability at year-end represent the net present value of all future lease payments. Changes in the Regional Systems leases payable for the year ended June 30, 2021 were as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance | Amount due Within One Year* |
|--------------------------------|-----------------------|-------------|------------------------|-----------------------|-----------------------------------|
| Water Fund | \$ 416,469,749 | \$ - | \$ (5,232,465) | \$ 411,237,284 | \$ 5,454,878 |
| Sewage Disposal Fund | 509,018,583 | - | (6,395,235) | 502,623,348 | 6,667,073 |
| Total Business-type Activities | <u>\$ 925,488,332</u> | <u>\$ -</u> | <u>\$ (11,627,700)</u> | <u>\$ 913,860,632</u> | <u>\$ 12,121,951</u> |

* The current portion of the Regional Systems leases payable represents the 12 monthly payments required from July 1, 2021 through June 30, 2022. Future revenues are intended to cover these payments.

As of June 30, 2021, aggregate requirements of the Regional Systems leases were as follows:

| | Year Ended June 30 | Principal | Interest | Total |
|-------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Water Fund | | | | |
| | 2022 | \$ 5,454,878 | \$ 17,045,122 | \$ 22,500,000 |
| | 2023 | 5,686,745 | 16,813,255 | 22,500,000 |
| | 2024 | 5,928,467 | 16,571,533 | 22,500,000 |
| | 2025 | 6,180,464 | 16,319,536 | 22,500,000 |
| | 2026 | 6,443,173 | 16,056,827 | 22,500,000 |
| | 2027 - 2031 | 36,564,374 | 75,935,626 | 112,500,000 |
| | 2032 - 2036 | 45,024,777 | 67,475,223 | 112,500,000 |
| | 2037 - 2041 | 55,442,781 | 57,057,219 | 112,500,000 |
| | 2042 - 2046 | 68,271,342 | 44,228,658 | 112,500,000 |
| | 2047 - 2051 | 84,068,224 | 28,431,776 | 112,500,000 |
| | 2052 - 2056 | 92,172,059 | 9,077,941 | 101,250,000 |
| Total Water Fund | | <u>\$ 411,237,284</u> | <u>\$ 365,012,716</u> | <u>\$ 776,250,000</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 14 – REGIONAL SYSTEMS LEASES PAYABLE AND RELATED PREPAID LEASE (cont.)

| | Year Ended June 30 | Principal | Interest | Total |
|--------------------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Sewage Disposal Fund | | | | |
| 2022 | \$ 6,667,073 | \$ 20,832,927 | \$ 27,500,000 | |
| 2023 | 6,950,466 | 20,549,534 | 27,500,000 | |
| 2024 | 7,245,904 | 20,254,096 | 27,500,000 | |
| 2025 | 7,553,901 | 19,946,099 | 27,500,000 | |
| 2026 | 7,874,989 | 19,625,011 | 27,500,000 | |
| 2027 - 2031 | 44,689,790 | 92,810,210 | 137,500,000 | |
| 2032 - 2036 | 55,030,284 | 82,469,716 | 137,500,000 | |
| 2037 - 2041 | 67,763,399 | 69,736,601 | 137,500,000 | |
| 2042 - 2046 | 83,442,751 | 54,057,249 | 137,500,000 | |
| 2047 - 2051 | 102,750,051 | 34,749,949 | 137,500,000 | |
| 2052 - 2056 | 112,654,740 | 11,095,260 | 123,750,000 | |
| Total Sewage Disposal Fund | | 502,623,348 | 446,126,652 | 948,750,000 |
| Total Business-type Activities | | <u>\$ 913,860,632</u> | <u>\$ 811,139,368</u> | <u>\$1,725,000,000</u> |

As part of the 2018 MOU, the MBO requirement for six months of lease payments made to DWSD on January 1, 2016 will be treated as a prepaid lease payment. The initial term of the regional system leases began on the effective date and ends on December 31, 2055. GLWA's last monthly payment shall be June 1, 2055 and GLWA's \$25 million lease pre-payment on January 1, 2016 shall be applied to the period of July 1, 2055 through December 31, 2055. Of the \$25 million recorded as a prepaid on the statement of net position, \$11,250,000 is recorded in the Water Fund and \$13,750,000 in the Sewage Disposal Fund.

NOTE 15 – OTHER LIABILITIES

Changes in other liabilities for the year ended June 30, 2021 were as follows:

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|---------------------|------------------------|
| Water Fund | | | | | |
| Compensated Absences | \$ 4,936,186 | \$ 3,752,801 | \$ (3,907,181) | \$ 4,781,806 | \$ 2,768,026 |
| Workers' Compensation | 251,834 | 337,010 | (258,027) | 330,817 | 255,817 |
| Claims and Judgements | 2,222,500 | - | (2,072,500) | 150,000 | 100,000 |
| WRAP payable | 761,256 | - | (761,256) | - | - |
| Cash held for the benefit of DWSD budget stabilization | 2,000,000 | - | - | 2,000,000 | - |
| Total Water Fund | <u>\$ 10,171,776</u> | <u>\$ 4,089,811</u> | <u>\$ (6,998,964)</u> | <u>\$ 7,262,623</u> | <u>\$ 3,123,843</u> |

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2021

NOTE 15 – OTHER LIABILITIES (cont.)

| | Beginning Balance | Increase | Decrease | Ending Balance | Due Within One Year |
|--|----------------------|----------------------|-----------------------|----------------------|------------------------|
| Sewage Disposal Fund | | | | | |
| Lease payable – Right to Use Asset | \$ - | \$ 4,543,607 | \$ (96,310) | \$ 4,447,297 | \$ 189,119 |
| Compensated Absences | 899,422 | 1,707,388 | (1,759,688) | 847,122 | 729,241 |
| Claim and Judgements | 7,650,000 | 1,736,250 | (61,250) | 9,325,000 | 1,825,000 |
| WRAP payable | 917,291 | - | (917,291) | - | - |
| Cash held for the benefit of DWSD budget stabilization | 5,500,000 | - | - | 5,500,000 | - |
| Total Sewage Disposal Fund | 14,966,713 | 7,987,245 | (2,834,539) | 20,119,419 | 2,743,360 |
| Total Business-type Activities | \$ 25,138,489 | \$ 12,077,056 | \$ (9,833,503) | \$ 27,382,042 | \$ 5,867,203 |

Lease Payable – Right to Use Asset

The Authority entered into a lease agreement for a warehouse to store materials for operational needs. The lease commenced on April 1, 2021. The lease was recorded under GASB 87 using a discount rate of 3%. The lease term is for 5 years and 4 months with one five-year renewal option. The Authority has included the renewal period when recording the lease. An estimate of a 2.5% CPI at the time of renewal was used in calculating the payments for the renewal period.

The future lease payments are detailed below:

| | Year Ended June 30 | Principal | Interest | Total |
|-----------------------------------|-----------------------|-------------------|----------|---------------------|
| Sewage Disposal Fund | | | | |
| 2022 | \$ 189,119 | \$ 130,465 | | 319,584 |
| 2023 | 366,784 | 122,762 | | 489,546 |
| 2024 | 390,070 | 111,443 | | 501,513 |
| 2025 | 414,719 | 99,404 | | 514,123 |
| 2026 | 436,958 | 86,622 | | 523,580 |
| 2027 - 2031 | 2,600,405 | 214,774 | | 2,815,179 |
| 2032 | 49,242 | 123 | | 49,365 |
| Total Sewage Disposal Fund | \$ 4,447,297 | \$ 765,593 | | \$ 5,212,890 |

The right to use assets acquired through the lease are summarized below:

| | Cost | Accumulated Amortization | Ending Book Value |
|-----------------------------|--------------|-----------------------------|----------------------|
| Sewage Disposal Fund | | | |
| Warehouse | \$ 4,543,607 | \$ (109,926) | \$ 4,433,681 |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 15 – OTHER LIABILITIES (cont.)

Compensated Absences

The Authority has a paid time off (PTO) policy which has an annual accrual period ending September 30 each year. Employees are allowed to carry over a maximum bank of 80 hours to the next accrual period. Balances greater than 80 hours up to a maximum of 160 hours are converted to the retiree health saving program at 50% of the value of the PTO time. Hours in excess of 160 hours are forfeited if unused by September 30 of each accrual period. The accrued compensated absences for PTO accrual are approximately \$2,665,000 for the Water Fund and \$847,000 for the Sewage Disposal Fund on June 30, 2021.

Due to the impact COVID-19 had on our team members, the Authority granted team members who were granted advanced PTO or used accrued PTO hours for a COVID-19 related absence between March 16, 2020 and June 30, 2021 replenishment of PTO, not to exceed 80 hours, for COVID-19 related absence.

The Authority also has an accrued compensated absence liability assumed on January 1, 2016 relating to the accumulated unpaid vacation and sick leave balances for those employees who retired from the City or resigned from the City and accepted employment with the Authority on January 1, 2016. The June 30, 2021 balance of the accrued compensated absences for the liability assumed on January 1, 2016 is approximately \$2,117,000 of which \$357,000 is current. This liability is recorded in the Water Fund as the disbursements for payment will be processed from the Water Fund with reimbursement from the Sewage Disposal Fund. The accrued compensated absences include the employers' share of Social Security and Medicare taxes.

Workers' Compensation

Workers' compensation is discussed in Note 16 Risk Management/Self-Insurance Programs.

Claims and Judgements

The Authority has accrued in its financial statements for known asserted claims in which future settlements may be necessary. See Note 16 for discussion of risk of loss and insurance coverages.

Cash Held for the Benefit of DWSD Budget Stabilization

Under the terms of the Master Bond Ordinance (MBO), the Authority retains cash on hand for the benefit of DWSD for budget stabilization funds to be used if DWSD has cash shortfalls. The 2018 Memorandum of Understanding set the balance to be retained in the Budget Stabilization Funds at \$7,500,000 for the life of the Regional System Leases. The Water Fund has retained \$2,000,000 and the Sewage Disposal Fund has \$5,500,000.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 16 – RISK MANAGEMENT/SELF-INSURANCE PROGRAMS

The Authority is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; occupationally related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risk of loss associated with providing medical and prescription drug benefits to employees.

The Authority transfers risk via the purchase of a variety of insurance policies the most significant of which are shown in the table below (alphabetical by coverage):

| Coverage | Coverage Limits | Maximum Retention Per Occurrence |
|---|----------------------------|---|
| Aviation | \$5,000,000 | \$0 |
| Cyber Breach | \$5,000,000 | \$250,000 |
| Fiduciary | \$15,000,000 | \$1,000 |
| General and Auto Liability | \$10,000,000/ \$12,000,000 | \$1,000,000 |
| Pollution Legal Liability | \$25,000,000 | \$500,000 |
| Property Damage | \$750,000,000 | \$1,000,000/\$2,500,000 for conveyor operations |
| Public Officials and Employment Practices | \$25,000,000 | \$250,000 |
| Underground Storage Tanks | \$2,000,000 | \$5,000 |
| Workers' Compensation | Statutory/ \$2,000,000 | \$1,250,000 |

The Authority assumes all risk for motor vehicle physical damage.

Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage since inception of the Authority.

A liability for claims is reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The Authority estimates the liability for medical and worker's compensation claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 16 – RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (cont.)

Medical and prescription drug insurance

The Authority provides medical and prescription drug benefits to a significant number of employees through a self-insured health plan that is administered by third party administrators. The Authority has stop loss insurance for its self-insured medical and prescription drug plans with terms of \$300,000 per contract to reduce risk exposure. The self-insured program is administered by a third-party administrator who provides claims review and processing services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits. Claim payments are reported net of rebates received for negotiated pricing for pharmacy benefits and stop loss reimbursements. The unpaid claims estimate is accrued within the Water Fund's accrued salaries, wages and benefits payable account on the Statement of Net Position.

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Unpaid claims, beginning of year | \$ 1,376,431 | \$ 1,001,198 |
| Incurred claims (including change in IBNR provisions) | 11,113,461 | 12,295,585 |
| Claims payments | <u>(11,572,361)</u> | <u>(11,920,352)</u> |
| Unpaid Claims, End of Year | <u>\$ 917,531</u> | <u>\$ 1,376,431</u> |

Workers' compensation

The Authority maintains a self-insurance program for workers' compensation coverage up to statutory limits. The program is administered by a third-party who provides claim review and medical bill review services. Claim liabilities are calculated considering the effects of recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claim liabilities also include estimated costs for claim administration fees and outside legal and medical assistance costs. The liabilities for workers' compensation current year claims is based on estimates and payments are based on actuals. The unpaid claims estimate is accrued within the Water Fund's accrued workers' compensation account (See Note 15).

Changes in the balances of claims liabilities during the past two years are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-------------------|
| Unpaid claims, beginning of year | \$ 251,834 | \$ 292,480 |
| Incurred claims (including change in IBNR provisions) | 337,010 | 252,998 |
| Claims payments | <u>(258,027)</u> | <u>(293,644)</u> |
| Unpaid Claims, End of Year | <u>\$ 330,817</u> | <u>\$ 251,834</u> |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 17 – DEFINED CONTRIBUTION PENSION PLANS

DEFINED CONTRIBUTION PLANS

The Great Lakes Water Authority Defined Contribution Retirement Plan is a 401(a) governmental money purchase plan administered by ICMA Retirement Corporation (the “Administrator”) to provide benefits at retirement to all full-time employees of the Authority. The Authority contributes 6.0% of earnings to the plan. The Authority will make an additional contribution to the 401(a) plan to match employee contributions under the Great Lakes Water Authority 457 Plan up to 3% of compensation. Employees are 100% vested after three years of service (cliff vesting). Employees who transferred to the Authority on or around January 1, 2016 from DWSD retain their years of service for vesting purposes. The Authority recognized expense of \$5,102,937, which is net of forfeitures of \$292,210, for the year ended June 30, 2021. The Authority has accrued approximately \$250,000 of expense on the accrued payroll at June 30, 2021. At June 30, 2021, there were 1,173 plan members.

The Great Lakes Water Authority Defined Contribution Plan Make-Up Benefit is a 401(a) governmental money purchase plan administered by ICMA Retirement Corporation (the “Administrator”) to provide benefits at retirement to all employees who terminated employment with DWSD on or around January 1, 2016 and were not vested in the City of Detroit General Retirement System (GRS). Eligible employees were required to rollover to the Authority’s Section 457 Deferred Compensation Plan their refunded employee mandatory contribution from GRS. The amount of the make-up benefit was determined by an actuary based on the present value of the lost GRS benefit. It was accrued in fiscal year 2018 and funded during fiscal year 2019. No additional contributions are required for this plan. Employees are 100% vested after one year of service. At June 30, 2021 there are 34 participants in the plan.

The Authority has a Section 457 Deferred Compensation Plan which employees can make pre-tax or post-tax (Roth) contributions which are immediately 100% vested. At June 30, 2021 there were 1,157 plan members.

The Authority has a Roth IRA Plan which allows employees to make post-tax contributions which are immediately 100% vested. At June 30, 2021 there were 74 plan members.

RETIREMENT HEALTH SAVINGS PLAN

The Authority also provides a Retirement Health Savings Program for full-time employees. Employees are required to contribute \$10 per pay period and the Authority contributes \$80 per pay period. Employees are 100% vested after three years of service (cliff vesting). Employees who transferred to the Authority on or around January 1, 2016 from DWSD retain their years of service for vesting purposes. The Authority recognized an expense \$1,996,534, which is net of forfeitures of \$138,826, for the year ended June 30, 2021. The Authority has accrued approximately \$94,000 of expense on the accrued payroll at June 30, 2021. Employee contributions were \$257,870 for the year ended June 30, 2021. At June 30, 2021, there were 1,529 plan members.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 18 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION)

As part of the City of Detroit bankruptcy plan of adjustment (POA) and the Regional System Leases (Section 4.3), the City, the City of Detroit General Employees' Retirement system (GRS or the System) and the Authority entered into an agreement on December 1, 2015 that set forth the terms for contributions and reporting of the DWSD share of the GRS pension pool. GRS provides the information necessary for the Authority and DWSD to report the proportionate share separately in their respective statements. On January 24, 2017, DWSD and the Authority provided a supplement to the agreement whereby GRS is directed to allocate investments and pension liabilities of the DWSD division on the basis of 70.3% to the Authority and 29.7% to DWSD effective January 1, 2016. This agreement constitutes a special funding situation pursuant to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As such, while no Authority employees earn service credit in the legacy or hybrid plans, GLWA is legally responsible for making substantial contributions to a legacy pension plan of another entity and, accordingly, must record a net pension liability for its proportion and make the following disclosures regarding the plan as required by the standard. Information is available in a separate audit report for the "Combined Plan for the General Retirement System of the City of Detroit" as well as "The General Retirement System of the City of Detroit GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pension Plans of Component II" as of June 30, 2020 which are available by contacting the Authority's management.

Plan Administration. The Authority contributes to (and DWSD participates in) the System. The System is a single employer plan composed of a defined benefit plan component and a defined contribution annuity plan component. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. The plan is administered by its own board of trustees. Plan members include active employees, retirees and beneficiaries from various departments within the City. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining units; amendments are subject to the same process.

The System issues publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, One Detroit Center, 500 Woodward Avenue, Suite 3000, Detroit, MI 48226 or obtained from the Systems' website (www.rscd.org). Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports.

Benefits Provided. Plan members may retire at age 55 or 60 with 5, 8, 10 or 25 years of credited service depending on which group the employee is in. Members are vested after completing 5, 8 or 10 years of credited service. Retirement options that provide for survivor benefits are available to members. The Plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary.

Component II is the legacy plan, the original defined benefit plan, which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by members prior to July 1, 2014. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Except as specifically provided in the combined plan, benefits provided under Component II are frozen effective June 30, 2014. Component II also includes the income stabilization fund. The fund, a part of Component II and established as a provision of the POA, was established for the sole purpose of paying the income stabilization benefits to eligible pensioners. Complete details regarding the Component II benefits and changes in those benefits by virtue of the POA are presented in the System financial statements.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 18 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

Employer Contributions. Employer contributions, including the Authority's nonemployer contribution, for the respective components are as follows:

During fiscal year 2020, employer contributions were not actuarially determined, but are determined by the provisions of the POA. Included within contributions for fiscal year 2020 are contributions from the Foundation for Detroit's Future in the amount of \$375,000 and approximately \$47.9 million of contributions from the City, City-related entities, and GLWA.

The POA obligates DWSD to pay \$2,500,000 per year towards administrative costs and annual plan contributions of \$42,900,000 per year in total for both water and sewer employees, until 2023. Pursuant to the Regional System leases, the Authority is obligated to pay its allocable share of such liability. The portion allocated to the Authority is \$31,916,200 for fiscal year 2021. This includes a contribution to the GRS pension plan of \$10,810,800 for the Water Fund and \$19,347,900 for the Sewage Disposal Fund for a total pension contribution of \$30,158,700. The contribution was made subsequent to the measurement date and has been recorded as a deferred outflow. It also includes an administrative fee of \$1,757,500, with \$630,000 paid by the Water Fund and \$1,127,500 paid by the Sewage Disposal Fund. Part of the administrative fee is considered a prepayment based on actual administrative expenses incurred by the plan as reported in the other supplemental information of the audited financial report of the GRS Plan.

Subsequent to 2023, DWSD and the Authority will be responsible for paying their allocable share of any additional amounts that are actuarially determined to be payable. An estimate of the 2024 contribution was included in the GRS annual actuarial valuation of Component II dated June 30, 2020. The total share for the DWSD is estimated to be between \$9.5 million and \$12.2 million. GLWA's share of the 2024 estimated contribution will be between \$6.6 million and \$8.6 million with approximately \$2.4 million to \$3.1 million allocated to the Water Fund and approximately \$4.3 million to \$5.5 million allocated to the Sewage Disposal Fund.

The information below represents the Authority's share of pension liability activity. DWSD separately reports its pro rata share of activity in its separate financial statements.

DWSD Employee Contributions. Contribution requirements of plan members are established and may be amended by the GRS Board of Trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2020, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014; contributions into Component I began thereafter.

Actuarial Assumptions. The total pension liability was actuarial determined as of June 30, 2019, which used updated procedures to roll forward the estimated liability to June 30, 2020. The actuarial valuation used the following actuarial assumptions applied to all periods included in the measurement.

| | |
|---------------------------|--|
| Inflation | Not applicable |
| Salary increases | Not applicable |
| Investment rate of return | 7.06%, net of investment expense and including inflation |

The actuarial assumptions were based on an experience study from 2008-2013 issued in February 2015; the mortality table assumption was based on RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational, based on two-dimensional sex distinct mortality scale MP-2014.

The actuarial assumptions, other than mortality and the investment rate of return, used in the June 30, 2019 valuation to calculate the total pension liability as of June 30, 2020 were based on the results of an actuarial experience study for the period from 2002-2007.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 18 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These real 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. For each asset class that is included in the pension plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return | Expected Money-Weighted Rate of Return |
|---------------------------|-------------------|--|--|
| Global equity | 37.0% | 6.37% | 2.36% |
| Global fixed income | 27.0% | 3.02% | 0.82% |
| Private equity | 8.0% | 10.57% | 0.85% |
| Cash | 0.0% | 0.00% | 0.00% |
| Real estate | 15.0% | 5.39% | 0.81% |
| Diversifying strategies | 8.0% | 2.38% | 0.19% |
| Hedge funds | 5.0% | 3.69% | 0.18% |
| | 100% | | 5.21% |
| Inflation | | | 1.85% |
| Investment Rate of Return | | | 7.06% |

Discount Rate. The discount rate used to measure the total pension liability was 7.06%, however, the single discount rate used at the beginning of the year was 7.38 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City of Detroit's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. 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 both at the beginning of the year, as well as at the end of the year. 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.

Net Pension Liability. As permitted by GASB Statement No. 68, the net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Changes in the Net Pension Liability. The components of the change in the Authority's share of the net pension liability are summarized as follows:

| | Water | Sewage Disposal | Total |
|-----------------------------------|----------------|-----------------|----------------|
| Total pension liability | \$ 182,181,063 | \$ 326,046,271 | \$ 508,227,334 |
| Plan fiduciary net position | (130,452,884) | (233,469,252) | (363,922,136) |
| Authority's Net Pension Liability | \$ 51,728,179 | \$ 92,577,019 | \$ 144,305,198 |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 18 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
| Water Fund | | | |
| Balances at June 30, 2020 | \$ 184,323,353 | \$ 136,679,979 | \$ 47,643,374 |
| Changes for the year: | | | |
| Interest | 13,006,533 | - | 13,006,533 |
| Difference between expected and actual experience | (3,679,680) | - | (3,679,680) |
| Changes in assumptions | 4,696,986 | - | 4,696,986 |
| Employer contributions | - | 10,810,800 | (10,810,800) |
| Net investment income | - | (1,295,521) | 1,295,521 |
| Benefit payments, including refunds of employee contributions | (16,166,129) | (16,166,129) | - |
| Other changes | - | 423,755 | (423,755) |
| Net changes | (2,142,290) | (6,227,095) | 4,084,805 |
| Balances at June 30, 2021 | \$ 182,181,063 | \$ 130,452,884 | \$ 51,728,179 |
| | Total Pension Liability (a) | Plan Fiduciary Net Position (b) | Net Pension Liability (a) – (b) |
| Sewage Disposal Fund | | | |
| Balances at June 30, 2020 | \$ 329,880,290 | \$ 244,613,775 | \$ 85,266,515 |
| Changes for the year: | | | |
| Interest | 23,277,566 | - | 23,277,566 |
| Difference between expected and actual experience | (6,585,459) | - | (6,585,459) |
| Changes in assumptions | 8,406,113 | - | 8,406,113 |
| Employer contributions | - | 19,347,900 | (19,347,900) |
| Net investment income | - | (2,318,571) | 2,318,571 |
| Benefit payments, including refunds of employee contributions | (28,932,239) | (28,932,239) | - |
| Other changes | - | 758,387 | (758,387) |
| Net changes | (3,834,019) | (11,144,523) | 7,310,504 |
| Balances at June 30, 2021 | \$ 326,046,271 | \$ 233,469,252 | \$ 92,577,019 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.06%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.06%) or 1% higher (8.06%) than the current rate:

| | 1% Decrease (6.06%) | Current Discount Rate (7.06%) | 1% Increase (8.06%) |
|-----------------------------------|------------------------|-------------------------------------|------------------------|
| Water Fund | \$ 62,747,320 | \$ 51,728,179 | \$ 42,293,557 |
| Sewage Disposal Fund | 112,297,783 | 92,577,019 | 75,692,040 |
| Authority's Net Pension Liability | \$ 175,045,103 | \$ 144,305,198 | \$ 117,985,597 |

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 18 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued plan financial statements.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended June 30, 2021, the Authority recognized pension expense of \$8,075,457 and \$14,452,504 for the Water and Sewage Disposal Funds, respectively. At June 30, 2021, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources | Net Deferred Outflows (Inflows) of Resources |
|--|--------------------------------------|-------------------------------------|---|
| Water Fund | | | |
| Net difference between projected and actual earnings on pension plan investments | \$ 11,301,842 | \$ - | \$ 11,301,842 |
| Employer contributions to the plan subsequent to the measurement date | <u>10,810,800</u> | <u>-</u> | <u>10,810,800</u> |
| Total Water Fund | <u>22,112,642</u> | <u>-</u> | <u>22,112,642</u> |
| Sewage Disposal Fund | | | |
| Net difference between projected and actual earnings on pension plan investments | 20,226,710 | - | 20,226,710 |
| Employer contributions to the plan subsequent to the measurement date | <u>19,347,900</u> | <u>-</u> | <u>19,347,900</u> |
| Total Sewage Disposal Fund | <u>39,574,610</u> | <u>-</u> | <u>39,574,610</u> |
| Total Business-type Activities | <u>\$ 61,687,252</u> | <u>\$ -</u> | <u>\$ 61,687,252</u> |

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended June 30 | Water | Sewage Disposal | Total |
|-----------------------|----------------------|----------------------|----------------------|
| 2022 | \$ 2,237,034 | \$ 4,003,581 | \$ 6,240,615 |
| 2023 | 3,231,455 | 5,783,278 | 9,014,733 |
| 2024 | 3,593,248 | 6,430,774 | 10,024,022 |
| 2025 | <u>2,240,105</u> | <u>4,009,077</u> | <u>6,249,182</u> |
| Total | <u>\$ 11,301,842</u> | <u>\$ 20,226,710</u> | <u>\$ 31,528,552</u> |

Payable to the Pension Plan. At June 30, 2021, the Authority did not have any outstanding contributions payable to the pension plan for the year then ended.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 19 – COMMITMENTS AND CONTINGENCIES

CAPITAL IMPROVEMENT PROGRAM

The Authority is engaged in a variety of projects that are part of its five-year capital improvement program (the Program). The total cost of this Program is anticipated to be approximately \$932.5 million with a 75% spend rate assumption of \$699.3 million for the Water Fund and \$738.4 million with a 75% spend rate assumption of \$553.8 million for the Sewage Disposal Fund through fiscal year 2025. The Program is being financed from revenue bond and state revolving fund proceeds in addition to the Improvement and Extension Funds.

The total amount of construction contract commitments outstanding at June 30, 2021 was approximately \$306 million for the Water Fund and \$90 million for the Sewage Disposal Fund.

The current wastewater disposal service contract with the Oakland-Macomb Interceptor Drain Drainage District (OMIDD) provides for OMIDD to maintain, repair, and improve Interceptor PCI-5, the Northeast Sewer Pump Station and the North Interceptor East Arm, which are related to the capital assets in the Regional Sewage Disposal System Lease (See Note 14). The amount of capital improvements in progress related to the contract are estimated by OMIDD to be worth \$ 30.8 million for the Sewage Disposal Fund at June 30, 2021. At a future date, in accordance with the contract, OMIDD will offer and transfer the assets, following GLWA's acceptance, as the assets are placed in service.

CONTINGENCIES

The Authority is subject to various government environmental laws and regulations. GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, established accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remedial activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care. The Authority determined that there were no estimated pollution remediation obligations to be recorded at June 30, 2021.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, established accounting and financial reporting standards for legally enforceable liabilities related to the retirement of tangible capital asset(s) where the tangible capital asset is permanently removed from service. The retirement of a tangible capital asset can occur via sale, abandonment, recycling or disposal in some other manner and excludes the temporary idling of a tangible capital asset. An asset retirement obligation does not apply to obligations resulting from the disposal, or plan to dispose, of a tangible capital asset; obligation(s) associated with using a tangible capital asset for a different purpose; obligation(s) for pollution remediation; obligation(s) from regular maintenance or the cost to replace a component. The Authority determined there were no legally enforceable asset retirement obligations to be recorded at June 30, 2021.

The Sewage Disposal Fund's operations are subject to regulation pursuant to the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 and the Water Quality Act of 1987 (collectively, the Clean Water Act). Included in the regulatory framework established by the Clean Water Act is the National Pollutant Discharge Elimination System (NPDES) permit program, which requires operation of wastewater system facilities according to discharge limitations and other requirements as set forth in permits issued to each facility. The Environmental Protection Agency (EPA) has authorized the Michigan Department of Environmental Quality (MDEQ) to implement and enforce the federal NPDES permit program. The Sewage Disposal Fund operates pursuant to the NPDES Permit. The Authority's current NPDES permit was issued July 1, 2019 and expires on October 1, 2022.

GREAT LAKES WATER AUTHORITY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021**NOTE 19 – COMMITMENTS AND CONTINGENCIES (cont.)****CONTINGENCIES (cont.)**

The Authority is a defendant in numerous alleged claims, lawsuits, billing disputes, and other stated and pending demands. The Authority's Legal Department has estimated a reserve of \$150,000 for the Water Fund and \$9,325,000 for the Sewage Disposal Fund, which are included in the accompanying financial statements, for the potential outcome of such claims or the amount of potential damages in the event of an unfavorable outcome for each of the above contingencies. The Authority's management believes that any differences in reserved amounts and final settlement, after consideration of claims covered by insurance, resulting from such litigation will not materially impact the Authority's financial position or results of operations.

The Authority holds various commercial insurance policies to cover other potential loss exposures.

NOTE 20 – NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2021 was as follows:

| | Water Fund | Sewage Disposal Fund | Total Business-type Activities |
|--|-------------------------|-------------------------|--------------------------------------|
| Capital Assets and Intangible Asset | | | |
| Capital assets not being depreciated | \$ 498,010,970 | \$ 315,474,451 | \$ 813,485,421 |
| Capital assets being depreciated, net | 1,324,554,087 | 2,221,472,660 | 3,546,026,747 |
| Intangible asset – net | 94,219,373 | 4,433,681 | 98,653,054 |
| Total Capital Assets and Intangible Asset | <u>1,916,784,430</u> | <u>2,541,380,792</u> | <u>4,458,165,222</u> |
| Less: Related Debt | | | |
| Total debt, net (Note 13) | 2,439,892,074 | 2,999,914,318 | 5,439,806,392 |
| Less: Portion of bonds used for SWAP termination agreements | (168,439,817) | (227,272,994) | (395,712,811) |
| Less: Obligation receivable-local share of debt (Note 8) | (568,652,092) | (399,355,627) | (968,007,719) |
| Deferred charge on refunding | (44,677,823) | (118,709,227) | (163,387,050) |
| Deferred gain on refunding | 52,250,187 | 44,046,097 | 96,296,284 |
| Capital portion of regional system lease | 299,668,609 | 348,971,391 | 648,640,000 |
| Lease obligation-raw water rights (Note 13) | 98,095,302 | - | 98,095,302 |
| Lease obligation-right to use asset (Note 15) | - | 4,447,297 | 4,447,297 |
| Total Related Debt | <u>2,108,136,440</u> | <u>2,652,041,255</u> | <u>4,760,177,695</u> |
| Net Investment in Capital Assets | <u>\$ (191,352,010)</u> | <u>\$ (110,660,463)</u> | <u>\$ (302,012,473)</u> |

The capital portion of the regional system lease payable is the percentage of the lease liability that has been determined to be allocated to the net investment in capital assets acquired. The lease is described in Note 14.

GREAT LAKES WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2021

NOTE 21 – SUBSEQUENT EVENTS

JUNIOR LIEN REVENUE BONDS

The Authority received an order of approval from EGLE in August 2021, for \$12.8 million for local water system improvements and in September 2021, for \$104.7 million for regional system improvements. These orders of approvals are part of the \$128 million SRF Junior Lien Water Supply System Revenue Bonds (Ordinance No. 2021-03) approved by the GLWA Board in June 2021.

The Authority received an order of approval from EGLE in August 2021, for \$9.2 million for local sewage disposal system improvements. This order of approval is part of the \$30 million SRF Junior Lien Sewage Disposal System Revenue Bonds (Ordinance No. 2021-04) approved by the GLWA Board in June 2021.

The above SRF loans bear a fixed interest rate of 1.875% for a term of twenty (20) years.

RAIN EVENTS

During the Summer of 2021, GLWA's service area experienced several intense rain events. These rain events resulted in sewer backups, causing property damage. GLWA received over 23,000 property damage claims from these intense rain events. Most of the claims relate to rain events occurring on June 25-26, 2021 and July 16, 2021. GLWA submitted all claims to its general liability and pollution insurance carriers. GLWA is awaiting coverage opinion letters from its carriers.

GLWA is conducting an internal investigation into the June 25-26 and July 16 rain events. For June 25-26 rain event, the preliminary findings of the internal investigation suggest that the heavy rain was the primary cause of the sewer backups. For the July 16 rain event, the preliminary findings of the internal investigation suggest that external power quality issues at the Bluehill Pump Station played a role in reported sewer backups in the Bluehill Pump Station tributary area.

GLWA's Board of Directors is also conducting an independent investigation into the rain events as well. At its November 18, 2021 Board Meeting, the Board passed a resolution allowing the internal investigative team and the Board's independent investigative team to collaborate on findings and recommendations related to the June 25-26, and July 16 rain events.

As of November 29, 2021, GLWA has been named in 10 sewer backup lawsuits. In the lawsuits in which GLWA has been served with the Complaint, GLWA filed a motion to dismiss the case. In the dispositive motions, GLWA argued that the heavy rain (an Act of God) was the cause of the sewer backup and not a defect in GLWA's sewer system.

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REQUIRED SUPPLEMENTARY INFORMATION

GREAT LAKES WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System - Component II Schedule of Changes in Net Pension Liability and Related Ratios - Business-Type Activities

| | Fiscal Year | | | | | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Measurement Date | 2020* | 2019* | 2018* | 2017* | 2016* | 2015** |
| Share of Total Pension Liability | | | | | | |
| Interest | \$ 36,284,099 | \$ 36,700,388 | \$ 36,577,126 | \$ 37,829,066 | \$ 40,381,626 | \$ 51,393,411 |
| Differences between expected and actual experience | (10,265,139) | 3,462,000 | (320,610) | 2,369,183 | (5,063,923) | (427,134) |
| Changes in assumptions | 13,103,099 | - | (21,345,359) | 15,153,104 | 17,627,395 | (19,789,958) |
| Benefit changes | - | - | - | - | - | (152,368,108) |
| Benefit payments, including refunds of employee contributions | <u>(45,098,368)</u> | <u>(46,507,916)</u> | <u>(47,396,240)</u> | <u>(51,081,380)</u> | <u>(69,639,576)</u> | <u>(54,293,644)</u> |
| Net change | (5,976,309) | (6,345,528) | (32,485,083) | 4,269,973 | (16,694,478) | (175,485,433) |
| Share of total pension liability, beginning of year | <u>514,203,643</u> | <u>520,549,171</u> | <u>553,034,254</u> | <u>548,764,281</u> | <u>565,458,759</u> | <u>740,944,192</u> |
| Share of Total Pension Liability, End of Year | <u>508,227,334</u> | <u>514,203,643</u> | <u>520,549,171</u> | <u>553,034,254</u> | <u>548,764,281</u> | <u>565,458,759</u> |
| Share of Plan Fiduciary Net Position | | | | | | |
| Employer contributions | 30,158,700 | 30,158,700 | 30,158,700 | 30,158,700 | 30,158,700 | 30,150,889 |
| Employee contributions | - | - | - | - | - | 130,951 |
| Net investment income (loss) | (3,614,092) | 9,194,433 | 30,347,172 | 38,812,244 | (1,311,974) | 17,280,285 |
| Benefit payments, including refunds of employee contributions | <u>(45,098,368)</u> | <u>(46,507,916)</u> | <u>(47,396,240)</u> | <u>(51,081,380)</u> | <u>(69,639,576)</u> | <u>(54,293,644)</u> |
| Administrative expense | - | - | - | - | - | (21,294) |
| Other changes | <u>1,182,142</u> | <u>(119,469)</u> | <u>1,386,027</u> | <u>1,494,049</u> | <u>252,263</u> | <u>27,758,558</u> |
| Net change | (17,371,618) | (7,274,252) | 14,495,659 | 19,383,613 | (40,540,587) | 21,005,745 |
| Share of plan fiduciary net position, beginning of year | <u>381,293,754</u> | <u>388,568,006</u> | <u>374,072,347</u> | <u>354,688,734</u> | <u>395,229,321</u> | <u>374,223,576</u> |
| Share of Plan Fiduciary Net Position, End of Year | <u>363,922,136</u> | <u>381,293,754</u> | <u>388,568,006</u> | <u>374,072,347</u> | <u>354,688,734</u> | <u>395,229,321</u> |
| SHARE OF NET PENSION LIABILITY | <u>\$ 144,305,198</u> | <u>\$ 132,909,889</u> | <u>\$ 131,981,165</u> | <u>\$ 178,961,907</u> | <u>\$ 194,075,547</u> | <u>\$ 170,229,438</u> |
| Nonemployer contributing entity share of collective net pension liability | 13.1% | 14.2% | 15.9% | 19.0% | 19.5% | 20.6% |
| Plan fiduciary net position as a percentage of total pension liability | 71.6% | 74.2% | 74.6% | 67.6% | 64.6% | 69.9% |

* As described in Notes 1 and 18 GLWA was established on January 1, 2016. At that time, GLWA assumed a portion of the net position and liabilities of the City of Detroit Water and Sewerage Department. This reflects only the portion allocated to GLWA.

** The 2015 information is presented based on City of Detroit Water and Sewerage Department (DWSD) prior to the establishment of GLWA. The amounts shown represent GLWA's allocation, fiduciary net position and net pension liability. The actual employer contributions made by DWSD were \$42,888,889.

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

The accompanying notes to required supplementary information are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System - Component II Schedule of Changes in Net Pension Liability and Related Ratios - Water Fund

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Measurement Date | 2020* | 2019* | 2018* | 2017* | 2016* | 2015** |
| Share of Total Pension Liability | | | | | | |
| Interest | \$ 13,006,533 | \$ 13,155,758 | \$ 13,111,573 | \$ 13,560,348 | \$ 14,475,348 | \$ 18,422,673 |
| Differences between expected and actual experience | (3,679,680) | 1,241,001 | (1,14,927) | 849,266 | (1,815,233) | (153,112) |
| Changes in assumptions | 4,696,986 | - | (7,651,537) | 5,431,838 | 6,318,782 | (7,093,982) |
| Benefit changes | - | - | - | - | - | (54,618,440) |
| Benefit payments, including refunds of employee contributions | <u>(16,166,129)</u> | <u>(16,671,401)</u> | <u>(16,989,833)</u> | <u>(18,310,822)</u> | <u>(24,963,262)</u> | <u>(19,462,302)</u> |
| Net change | (2,142,290) | (2,274,642) | (11,644,724) | 1,530,630 | (5,984,365) | (62,905,163) |
| Share of total pension liability, beginning of year | <u>184,323,353</u> | <u>186,597,995</u> | <u>198,242,719</u> | <u>196,712,089</u> | <u>202,696,454</u> | <u>265,601,617</u> |
| Share of Total Pension Liability, End of Year | <u>182,181,063</u> | <u>184,323,353</u> | <u>186,597,995</u> | <u>198,242,719</u> | <u>196,712,089</u> | <u>202,696,454</u> |
| Share of Plan Fiduciary Net Position | | | | | | |
| Employer contributions | 10,810,800 | 10,810,800 | 10,810,800 | 10,810,800 | 10,810,800 | 10,808,000 |
| Employee contributions | - | - | - | - | - | 46,941 |
| Net investment income (loss) | (1,295,521) | 3,295,871 | 10,878,360 | 13,912,782 | (470,295) | 6,194,355 |
| Benefit payments, including refunds of employee contributions | (16,166,129) | (16,671,401) | (16,989,833) | (18,310,822) | (24,963,262) | (19,462,302) |
| Administrative expense | - | - | - | - | - | (7,633) |
| Other changes | <u>423,755</u> | <u>(42,826)</u> | <u>496,841</u> | <u>535,562</u> | <u>90,427</u> | <u>9,950,436</u> |
| Net change | (6,227,095) | (2,607,556) | 5,196,168 | 6,948,322 | (14,532,330) | 7,529,797 |
| Share of plan fiduciary net position, beginning of year | <u>136,679,979</u> | <u>139,287,535</u> | <u>134,091,367</u> | <u>127,143,045</u> | <u>141,675,375</u> | <u>134,145,578</u> |
| Share of Plan Fiduciary Net Position, End of Year | <u>130,452,884</u> | <u>136,679,979</u> | <u>139,287,535</u> | <u>134,091,367</u> | <u>127,143,045</u> | <u>141,675,375</u> |
| SHARE OF NET PENSION LIABILITY | <u>\$ 51,728,179</u> | <u>\$ 47,643,374</u> | <u>\$ 47,310,460</u> | <u>\$ 64,151,352</u> | <u>\$ 69,569,044</u> | <u>\$ 61,021,079</u> |
| Nonemployer contributing entity share of collective net pension liability - Water Fund | 4.7% | 5.1% | 5.7% | 6.8% | 7.0% | 7.4% |
| Plan fiduciary net position as a percentage of total pension liability | 71.6% | 74.2% | 74.6% | 67.6% | 64.6% | 69.9% |

* As described in Notes 1 and 18 GLWA was established on January 1, 2016. At that time, GLWA assumed a portion of the net position and liabilities of the City of Detroit Water and Sewerage Department. This reflects only the portion allocated to GLWA.

** The 2015 information is presented based on City of Detroit Water and Sewerage Department (DWSD) prior to the establishment of GLWA. The amounts shown represent GLWA's allocation, fiduciary net position and net pension liability. The actual employer contributions made by DWSD were \$18,440,222.

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

The accompanying notes to required supplementary information are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION

Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System - Component II Schedule of Changes in Net Pension Liability and Related Ratios - Sewage Disposal Fund

| | Fiscal Year | | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Measurement Date | 2020* | 2019* | 2018* | 2017* | 2016* | 2015** |
| Share of Total Pension Liability | | | | | | |
| Interest | \$ 23,277,566 | \$ 23,544,630 | \$ 23,465,553 | \$ 24,268,718 | \$ 25,906,278 | \$ 32,970,738 |
| Differences between expected and actual experience | (6,585,459) | 2,220,999 | (205,683) | 1,519,917 | (3,248,690) | (274,022) |
| Changes in assumptions | 8,406,113 | - | (13,693,822) | 9,721,266 | 11,308,613 | (12,695,976) |
| Benefit changes | - | - | - | - | - | (97,749,668) |
| Benefit payments, including refunds of employee contributions | <u>(28,932,239)</u> | <u>(29,836,515)</u> | <u>(30,406,407)</u> | <u>(32,770,558)</u> | <u>(44,676,314)</u> | <u>(34,831,342)</u> |
| Net change | (3,834,019) | (4,070,886) | (20,840,359) | 2,739,343 | (10,710,113) | (112,580,270) |
| Share of total pension liability, beginning of year | <u>329,880,290</u> | <u>333,951,176</u> | <u>354,791,535</u> | <u>352,052,192</u> | <u>362,762,305</u> | <u>475,342,575</u> |
| Share of Total Pension Liability, End of Year | <u>326,046,271</u> | <u>329,880,290</u> | <u>333,951,176</u> | <u>354,791,535</u> | <u>352,052,192</u> | <u>362,762,305</u> |
| Share of Plan Fiduciary Net Position | | | | | | |
| Employer contributions | 19,347,900 | 19,347,900 | 19,347,900 | 19,347,900 | 19,347,900 | 19,342,889 |
| Employee contributions | - | - | - | - | - | 84,010 |
| Net investment income (loss) | (2,318,571) | 5,898,562 | 19,468,812 | 24,899,462 | (841,679) | 11,085,930 |
| Benefit payments, including refunds of employee contributions | (28,932,239) | (29,836,515) | (30,406,407) | (32,770,558) | (44,676,314) | (34,831,342) |
| Administrative expense | - | - | - | - | - | (13,661) |
| Other changes | <u>758,387</u> | <u>(76,643)</u> | <u>889,186</u> | <u>958,487</u> | <u>161,836</u> | <u>17,808,122</u> |
| Net change | (11,144,523) | (4,666,696) | 9,299,491 | 12,435,291 | (26,008,257) | 13,475,948 |
| Share of plan fiduciary net position, beginning of year | <u>244,613,775</u> | <u>249,280,471</u> | <u>239,980,980</u> | <u>227,545,689</u> | <u>253,553,946</u> | <u>240,077,998</u> |
| Share of Plan Fiduciary Net Position, End of Year | <u>233,469,252</u> | <u>244,613,775</u> | <u>249,280,471</u> | <u>239,980,980</u> | <u>227,545,689</u> | <u>253,553,946</u> |
| SHARE OF NET PENSION LIABILITY | <u>\$ 92,577,019</u> | <u>\$ 85,266,515</u> | <u>\$ 84,670,705</u> | <u>\$ 114,810,555</u> | <u>\$ 124,506,503</u> | <u>\$ 109,208,359</u> |
| Nonemployer contributing entity share of collective net pension liability - Sewage Disposal Fund | 8.4% | 9.1% | 10.2% | 12.2% | 12.5% | 13.2% |
| Plan fiduciary net position as a percentage of total pension liability | 71.6% | 74.2% | 74.6% | 67.6% | 64.6% | 69.9% |

* As described in Notes 1 and 18 GLWA was established on January 1, 2016. At that time, GLWA assumed a portion of the net position and liabilities of the City of Detroit Water and Sewerage Department. This reflects only the portion allocated to GLWA.

** The 2015 information is presented based on City of Detroit Water and Sewerage Department (DWSD) prior to the establishment of GLWA. The amounts shown represent GLWA's allocation, fiduciary net position and net pension liability. The actual employer contributions made by DWSD were \$24,448,667.

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

The accompanying notes to required supplementary information are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

REQUIRED SUPPLEMENTARY INFORMATION
 Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System - Component II
 Schedule of Contributions

| | Fiscal Year | | | | | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2021* | 2020* | 2019* | 2018* | 2017* | 2016* |
| Total Business-type Activities | | | | | | |
| Contractually required contribution** | \$ 30,158,700 | \$ 30,158,700 | \$ 30,158,700 | \$ 30,158,700 | \$ 30,158,700 | \$ 30,158,700 |
| Actual contribution | <u>30,158,700</u> | <u>30,158,700</u> | <u>30,158,700</u> | <u>30,158,700</u> | <u>30,158,700</u> | <u>30,158,700</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Water Fund | | | | | | |
| Contractually required contribution** | \$ 10,810,800 | \$ 10,810,800 | \$ 10,810,800 | \$ 10,810,800 | \$ 10,810,800 | \$ 10,810,800 |
| Actual contribution | <u>10,810,800</u> | <u>10,810,800</u> | <u>10,810,800</u> | <u>10,810,800</u> | <u>10,810,800</u> | <u>10,810,800</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |
| Sewage Disposal Fund | | | | | | |
| Contractually required contribution** | \$ 19,347,900 | \$ 19,347,900 | \$ 19,347,900 | \$ 19,347,900 | \$ 19,347,900 | \$ 19,347,900 |
| Actual contribution | <u>19,347,900</u> | <u>19,347,900</u> | <u>19,347,900</u> | <u>19,347,900</u> | <u>19,347,900</u> | <u>19,347,900</u> |
| Contribution deficiency (excess) | <u>\$ -</u> |

* As described in Notes 1 and 18 GLWA was established on January 1, 2016. At that time GLWA assumed a portion of the net position and liabilities of the City of Detroit Water and Sewerage Department. This reflects only the portion allocated to GLWA.

** Contributions are determined by the provisions of the Plan of Adjustment and are not actuarially determined.

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

The accompanying notes to required supplementary information are an integral part of these financial statements.

GREAT LAKES WATER AUTHORITY

Nonemployer Contributing Entity Share of City of Detroit General Employees' Retirement System –
Component II

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021

Changes in Assumptions

In 2016, amounts reported as changes in assumptions resulted from adjustment of the discount rate from 7.61 percent to 7.23 percent.

In 2017, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.23 percent to 6.91 percent.

In 2018, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 6.91 percent to 7.38 percent.

In 2020, amounts reported as changes of assumptions resulted from adjustment of the discount rate from 7.38 percent to 7.06 percent.

Note: Great Lakes Water Authority is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

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SUPPLEMENTARY INFORMATION

GREAT LAKES WATER AUTHORITY

COMBINING SCHEDULE OF NET POSITION - WATER FUND

As of June 30, 2021

| | Water Operations | Water Improvement and Extension | Water Construction Fund | Water Total |
|---|----------------------|---------------------------------------|-------------------------------|----------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 93,595,948 | \$ 46,953,111 | \$ 22,217,368 | \$ 162,766,427 |
| Restricted cash and cash equivalents | 55,325,792 | 550,243 | 9,800,995 | 65,677,030 |
| Restricted cash for the benefit of DWSD | 3,144,400 | - | - | 3,144,400 |
| Investments | 27,502,507 | 158,045,763 | 4,993,688 | 190,541,958 |
| Restricted investments | 2,932,400 | - | - | 2,932,400 |
| Receivables | | | | |
| Billed | 48,694,817 | - | - | 48,694,817 |
| Unbilled | 30,066,884 | - | - | 30,066,884 |
| Other | 85,494 | - | - | 85,494 |
| Allowance for doubtful accounts | (11,562,519) | - | - | (11,562,519) |
| Due from other governments | 11,889,748 | - | - | 11,889,748 |
| Due from other funds | 1,539 | 1,680,681 | 1,104,124 | 2,786,344 |
| Due from other water funds | 270,834 | 6,892,952 | 1,374,237 | 8,538,023 |
| Contractual obligation receivable | 16,558,716 | - | - | 16,558,716 |
| Prepaid items and other assets | 7,105,660 | 495,579 | - | 7,601,239 |
| Inventories | 794,521 | - | - | 794,521 |
| Total Current Assets | <u>286,406,741</u> | <u>214,618,329</u> | <u>39,490,412</u> | <u>540,515,482</u> |
| Noncurrent Assets | | | | |
| Restricted cash and cash equivalents | 2,519,127 | - | - | 2,519,127 |
| Restricted investments | 8,651,762 | - | - | 8,651,762 |
| Contractual obligation receivable | 552,093,376 | - | - | 552,093,376 |
| Prepaid lease | 11,250,000 | - | - | 11,250,000 |
| Assets not subject to depreciation | 498,010,970 | - | - | 498,010,970 |
| Capital assets being depreciated, net | 1,324,554,087 | - | - | 1,324,554,087 |
| Intangible assets, net | 94,219,373 | - | - | 94,219,373 |
| Prepaid insurance on debt | 7,304,243 | - | - | 7,304,243 |
| Total noncurrent assets | <u>2,498,602,938</u> | <u>-</u> | <u>-</u> | <u>2,498,602,938</u> |
| Total Assets | <u>2,785,009,679</u> | <u>214,618,329</u> | <u>39,490,412</u> | <u>3,039,118,420</u> |
| Deferred outflows of resources | | | | |
| Deferred charge on refunding | 44,677,823 | - | - | 44,677,823 |
| Deferred pension amounts | 22,112,642 | - | - | 22,112,642 |
| Total Deferred Outflows of Resources | <u>66,790,465</u> | <u>-</u> | <u>-</u> | <u>66,790,465</u> |

The accompanying notes to the supplementary information are an integral part of this schedule.

| | Water Operations | Water Improvement and Extension | Water Construction Fund | Water Total |
|---|-------------------------|---------------------------------------|-------------------------------|------------------------|
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts and contracts payable | \$ 20,488,920 | \$ 5,768,630 | \$ 26,781,780 | \$ 53,039,330 |
| Accrued salaries, wages and benefits | 4,892,033 | - | - | 4,892,033 |
| Other accrued liabilities | 6,958,556 | - | - | 6,958,556 |
| Due to other governments | 15,693,993 | - | - | 15,693,993 |
| Due to other funds | 162,368 | - | - | 162,368 |
| Due to other water funds | 6,892,952 | 1,374,237 | 270,834 | 8,538,023 |
| Interest payable | 36,621,768 | - | - | 36,621,768 |
| Current portion of: | | | | |
| Revenue bonds and loans | 32,500,450 | - | - | 32,500,450 |
| Raw water rights obligatin | 2,734,246 | - | - | 2,734,246 |
| Obligation payable | 194,242 | - | - | 194,242 |
| Regional system lease | 5,454,878 | - | - | 5,454,878 |
| Accrued compensated absences | 2,768,026 | - | - | 2,768,026 |
| Accrued workers' compensation | 255,817 | - | - | 255,817 |
| Claims and judgments | 100,000 | - | - | 100,000 |
| Total Current Liabilities | <u>135,718,249</u> | <u>7,142,867</u> | <u>27,052,614</u> | <u>169,913,730</u> |
| Noncurrent Liabilities | | | | |
| Revenue bonds and loans | 2,407,391,624 | - | - | 2,407,391,624 |
| Raw water rights obligation | 95,361,056 | - | - | 95,361,056 |
| Obligation payable | 16,542,293 | - | - | 16,542,293 |
| Regional system lease | 405,782,406 | - | - | 405,782,406 |
| Accrued compensated absences | 2,013,780 | - | - | 2,013,780 |
| Accrued workers' compensation | 75,000 | - | - | 75,000 |
| Claims and judgments | 50,000 | - | - | 50,000 |
| Other liabilities | 2,000,000 | - | - | 2,000,000 |
| Net pension liability | 51,728,179 | - | - | 51,728,179 |
| Total Noncurrent Liabilities | <u>2,980,944,338</u> | <u>-</u> | <u>-</u> | <u>2,980,944,338</u> |
| Total Liabilities | <u>3,116,662,587</u> | <u>7,142,867</u> | <u>27,052,614</u> | <u>3,150,858,068</u> |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding | 52,250,187 | - | - | 52,250,187 |
| Deferred amounts for swap terminations | 66,164 | - | - | 66,164 |
| Total Deferred Inflows of Resources | <u>52,316,351</u> | <u>-</u> | <u>-</u> | <u>52,316,351</u> |
| Net Position | | | | |
| Net investment in capital assets | (203,789,808) | - | 12,437,798 | (191,352,010) |
| Restricted for debt service | 23,688,943 | - | - | 23,688,943 |
| Restricted for payment assistance program | 4,614,294 | - | - | 4,614,294 |
| Unrestricted (deficit) | <u>(141,692,223)</u> | <u>207,475,462</u> | <u>-</u> | <u>65,783,239</u> |
| TOTAL NET POSITION | <u>\$ (317,178,794)</u> | <u>\$ 207,475,462</u> | <u>\$ 12,437,798</u> | <u>\$ (97,265,534)</u> |

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - WATER FUND
For the Year Ended June 30, 2021

| | Water Operations | Water Improvement and Extension | Water Construction Fund | Water Total |
|--|-------------------------|---------------------------------------|-------------------------------|------------------------|
| Operating Revenues | | | | |
| Wholesale customer charges | \$ 322,423,768 | \$ - | \$ - | \$ 322,423,768 |
| Local system charges | 21,925,500 | - | - | 21,925,500 |
| Other revenues | <u>265,822</u> | <u>-</u> | <u>-</u> | <u>265,822</u> |
| Total Operating Revenues | <u>344,615,090</u> | <u>-</u> | <u>-</u> | <u>344,615,090</u> |
| Operating Expenses | | | | |
| Operating expenses before depreciation and amortization | | | | |
| Personnel | 43,889,495 | - | - | 43,889,495 |
| Contractual services | 35,468,574 | 4,942,237 | - | 40,410,811 |
| Utilities - gas | 1,070,887 | - | - | 1,070,887 |
| Utilities - electric | 27,311,611 | - | - | 27,311,611 |
| Utilities - sewage | 444,282 | - | - | 444,282 |
| Utilities - water | 1,446 | - | - | 1,446 |
| Chemicals | 6,028,141 | - | - | 6,028,141 |
| Supplies and other expenses | 9,158,990 | - | - | 9,158,990 |
| Capital program allocation | (2,123,060) | - | - | (2,123,060) |
| Intergovernmental reimbursements | <u>(2,409,511)</u> | <u>(145,000)</u> | <u>-</u> | <u>(2,554,511)</u> |
| Total Operating Expenses Before Depreciation and Amortization | 118,840,855 | 4,797,237 | - | 123,638,092 |
| Depreciation | 123,271,541 | - | - | 123,271,541 |
| Amortization of intangible assets | <u>3,566,664</u> | <u>-</u> | <u>-</u> | <u>3,566,664</u> |
| Total Operating Expenses | <u>245,679,060</u> | <u>4,797,237</u> | <u>-</u> | <u>250,476,297</u> |
| Operating Income (Loss) | <u>98,936,030</u> | <u>(4,797,237)</u> | <u>-</u> | <u>94,138,793</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Earnings on investments | 656,239 | 3,539,066 | 19,800 | 4,215,105 |
| Net decrease in fair value of investments | (510,538) | (2,931,504) | (4,145) | (3,446,187) |
| Interest on loan and obligations receivable | 25,474,904 | - | - | 25,474,904 |
| Interest expense | (128,257,367) | - | - | (128,257,367) |
| Amortization of debt related items and cost of issuance | 15,988,278 | - | - | 15,988,278 |
| Legacy pension expense | (8,075,457) | - | - | (8,075,457) |
| WRAP (Water Residential Assistance Program) | (593,206) | - | - | (593,206) |
| Other | (176,909) | - | - | (176,909) |
| Capital outlay | 136,427,149 | (11,893,172) | (124,533,977) | - |
| Loss on disposal of capital assets | <u>(123,932)</u> | <u>-</u> | <u>-</u> | <u>(123,932)</u> |
| Total Nonoperating Revenues (Expenses) | <u>40,809,161</u> | <u>(11,285,610)</u> | <u>(124,518,322)</u> | <u>(94,994,771)</u> |
| Income (Loss) Before Transfers | 139,745,191 | (16,082,847) | (124,518,322) | (855,978) |
| Transfer in | 4,626,673 | 35,375,375 | 116,150,221 | 156,152,269 |
| Transfer out | <u>(55,582,216)</u> | <u>(100,569,683)</u> | <u>(370)</u> | <u>(156,152,269)</u> |
| Change in net position | 88,789,648 | (81,277,155) | (8,368,471) | (855,978) |
| NET POSITION (DEFICIT), Beginning of Year | <u>(405,968,442)</u> | <u>288,752,617</u> | <u>20,806,269</u> | <u>(96,409,556)</u> |
| NET POSITION (DEFICIT), END OF YEAR | <u>\$ (317,178,794)</u> | <u>\$ 207,475,462</u> | <u>\$ 12,437,798</u> | <u>\$ (97,265,534)</u> |

Note: Transfers in (out) are used for recording financial activity related to borrowing proceeds and MBO requirements.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

COMBINING SCHEDULE OF NET POSITION - SEWAGE DISPOSAL FUND

As of June 30, 2021

| | Sewer Operations | Sewer Improvement and Extension | Sewer Construction Fund | Sewage Disposal Total |
|---|----------------------|---------------------------------------|-------------------------------|--------------------------|
| Assets | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | \$ 138,319,740 | \$ 37,944,126 | \$ 15,320,839 | \$ 191,584,705 |
| Restricted cash and cash equivalents | 75,327,683 | 22,866 | 10,158,465 | 85,509,014 |
| Restricted cash for the benefit of DWSD | 2,919,797 | - | - | 2,919,797 |
| Investments | 43,982,053 | 83,412,272 | 4,993,688 | 132,388,013 |
| Restricted investments | 28,758,582 | - | - | 28,758,582 |
| Receivables: | | | | |
| Billed | 59,552,759 | - | - | 59,552,759 |
| Unbilled | 24,320,796 | - | - | 24,320,796 |
| Other | 376,923 | 112,489 | - | 489,412 |
| Allowance for doubtful accounts | (39,321,754) | - | - | (39,321,754) |
| Due from other governments | 1,351,111 | - | - | 1,351,111 |
| Due from other funds | - | - | 162,368 | 162,368 |
| Due from other sewage disposal funds | 70,934 | 4,121,750 | - | 4,192,684 |
| Contractual obligation receivable | 14,637,184 | - | - | 14,637,184 |
| Loan receivable - DWSD | 8,296,578 | - | - | 8,296,578 |
| Prepaid items and other assets | 3,875,337 | 267,966 | - | 4,143,303 |
| Inventories | 7,000,631 | - | - | 7,000,631 |
| Total Current Assets | <u>369,468,354</u> | <u>125,881,469</u> | <u>30,635,360</u> | <u>525,985,183</u> |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | 2,876,374 | - | - | 2,876,374 |
| Restricted investments | 29,882,148 | - | - | 29,882,148 |
| Contractual obligation receivable | 384,718,443 | - | - | 384,718,443 |
| Prepaid lease | 13,750,000 | - | - | 13,750,000 |
| Assets not subject to depreciation | 315,474,451 | - | - | 315,474,451 |
| Capital assets being depreciated, net | 2,221,472,660 | - | - | 2,221,472,660 |
| Intangible assets, net | 4,433,681 | - | - | 4,433,681 |
| Prepaid insurance on debt | 11,053,199 | - | - | 11,053,199 |
| Total Noncurrent Assets | <u>2,983,660,956</u> | <u>-</u> | <u>-</u> | <u>2,983,660,956</u> |
| Total Assets | <u>3,353,129,310</u> | <u>125,881,469</u> | <u>30,635,360</u> | <u>3,509,646,139</u> |
| Deferred Outflows of Resources | | | | |
| Deferred charge on refunding | 118,709,227 | - | - | 118,709,227 |
| Deferred pension amounts | 39,574,610 | - | - | 39,574,610 |
| Total Deferred Outflows of Resources | <u>158,283,837</u> | <u>-</u> | <u>-</u> | <u>158,283,837</u> |

| | Sewer Operations | Sewer Improvement and Extension | Sewer Construction Fund | Sewage Disposal Total |
|---|-------------------------|---------------------------------------|-------------------------------|--------------------------|
| Liabilities | | | | |
| Current Liabilities | | | | |
| Accounts and contracts payable | \$ 12,402,617 | \$ 1,379,097 | \$ 18,400,371 | \$ 32,182,085 |
| Accrued salaries, wages and benefits | 1,136,565 | - | - | 1,136,565 |
| Other accrued liabilities | 4,615,255 | - | - | 4,615,255 |
| Due to other governments | 3,750,000 | - | - | 3,750,000 |
| Due to other funds | 19,271 | 2,117,470 | 649,603 | 2,786,344 |
| Due to other sewage disposal funds | 4,079,968 | - | 112,716 | 4,192,684 |
| Interest payable | 35,189,612 | - | - | 35,189,612 |
| Current portion of: | | | | |
| Revenue bonds and loans | 87,409,283 | - | - | 87,409,283 |
| Obligation payable | 436,911 | - | - | 436,911 |
| Regional system lease | 6,667,073 | - | - | 6,667,073 |
| Accrued compensated absences | 729,241 | - | - | 729,241 |
| Lease payable | 189,119 | - | - | 189,119 |
| Claims and judgments | <u>1,825,000</u> | - | - | <u>1,825,000</u> |
| Total Current Liabilities | <u>158,449,915</u> | <u>3,496,567</u> | <u>19,162,690</u> | <u>181,109,172</u> |
| Noncurrent Liabilities | | | | |
| Revenue bonds and loans | 2,912,505,035 | - | - | 2,912,505,035 |
| Obligation payable | 37,208,869 | - | - | 37,208,869 |
| Regional system lease | 495,956,275 | - | - | 495,956,275 |
| Long-term lease payable | 4,258,178 | - | - | 4,258,178 |
| Accrued compensated absences | 117,881 | - | - | 117,881 |
| Claims and judgments | 7,500,000 | - | - | 7,500,000 |
| Other liabilities | 5,500,000 | - | - | 5,500,000 |
| Net pension liability | <u>92,577,019</u> | - | - | <u>92,577,019</u> |
| Total Noncurrent Liabilities | <u>3,555,623,257</u> | <u>-</u> | <u>-</u> | <u>3,555,623,257</u> |
| Total Liabilities | <u>3,714,073,172</u> | <u>3,496,567</u> | <u>19,162,690</u> | <u>3,736,732,429</u> |
| Deferred Inflows of Resources | | | | |
| Deferred gain on refunding | 44,046,097 | - | - | 44,046,097 |
| Deferred amounts for swap terminations | <u>18,041</u> | - | - | <u>18,041</u> |
| Total Deferred Inflows of Resources | <u>44,064,138</u> | <u>-</u> | <u>-</u> | <u>44,064,138</u> |
| Net Position | | | | |
| Net investment in capital assets | (122,133,133) | - | 11,472,670 | (110,660,463) |
| Restricted for debt service | 90,855,751 | - | - | 90,855,751 |
| Restricted for payment assistance program | 6,428,815 | - | - | 6,428,815 |
| Unrestricted (deficit) | <u>(221,875,596)</u> | <u>122,384,902</u> | <u>-</u> | <u>(99,490,694)</u> |
| TOTAL NET POSITION | <u>\$ (246,724,163)</u> | <u>\$ 122,384,902</u> | <u>\$ 11,472,670</u> | <u>\$ (112,866,591)</u> |

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - SEWAGE DISPOSAL FUND

For the Year Ended June 30, 2021

| | Sewer Operations | Sewer Improvement and Extension | Sewer Construction Fund | Sewage Disposal Total |
|---|-------------------------|---------------------------------------|-------------------------------|--------------------------|
| Operating Revenues | | | | |
| Wholesale customer charges | \$ 267,567,816 | \$ - | \$ - | \$ 267,567,816 |
| Local system charges | 187,959,700 | - | - | 187,959,700 |
| Industrial waste charges | 8,004,939 | - | - | 8,004,939 |
| Pollutant surcharges | 6,719,964 | - | - | 6,719,964 |
| Other revenues | 501,121 | - | - | 501,121 |
| Total Operating Revenues | <u>470,753,540</u> | <u>-</u> | <u>-</u> | <u>470,753,540</u> |
| Operating Expenses | | | | |
| Operating expenses before depreciation and amortization | | | | |
| Personnel | 63,055,636 | - | - | 63,055,636 |
| Contractual services | 56,731,877 | 6,181,337 | - | 62,913,214 |
| Utilities - gas | 4,634,898 | - | - | 4,634,898 |
| Utilities - electric | 14,670,298 | - | - | 14,670,298 |
| Utilities - sewage | 1,630,219 | - | - | 1,630,219 |
| Utilities - water | 2,986,013 | - | - | 2,986,013 |
| Chemicals | 7,953,995 | - | - | 7,953,995 |
| Supplies and other expenses | 21,938,081 | - | - | 21,938,081 |
| Capital program allocation | (1,068,749) | - | - | (1,068,749) |
| Intergovernmental reimbursements | (338,212) | (273,969) | - | (612,181) |
| Total Operating Expenses Before | | | | |
| Depreciation and Amortization | 172,194,056 | 5,907,368 | - | 178,101,424 |
| Depreciation | 150,772,065 | - | - | 150,772,065 |
| Amortization of intangible assets | 109,926 | - | - | 109,926 |
| Total Operating Expenses | <u>323,076,047</u> | <u>5,907,368</u> | <u>-</u> | <u>328,983,415</u> |
| Operating Income (Loss) | <u>147,677,493</u> | <u>(5,907,368)</u> | <u>-</u> | <u>141,770,125</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Earnings on investments | 1,291,733 | 1,510,308 | 23,103 | 2,825,144 |
| Net decrease in fair value of investments | (1,091,351) | (1,239,466) | (3,621) | (2,334,438) |
| Interest on loan and obligations receivable | 18,247,607 | - | - | 18,247,607 |
| Interest expense | (135,227,647) | - | - | (135,227,647) |
| Amortization of debt related items and cost of issuance | (3,022,639) | - | - | (3,022,639) |
| Legacy pension expense | (14,452,504) | - | - | (14,452,504) |
| WRAP (Water Residential Assistance Program) | (924,247) | - | - | (924,247) |
| Other | (298,940) | - | - | (298,940) |
| Capital outlay | 88,819,011 | (9,120,833) | (79,698,178) | - |
| Loss on disposal of capital assets | (241,105) | - | - | (241,105) |
| Total Nonoperating Revenues (Expenses) | <u>(46,900,082)</u> | <u>(8,849,991)</u> | <u>(79,678,696)</u> | <u>(135,428,769)</u> |
| Income (Loss) Before Transfers and Capital Contributions | 100,777,411 | (14,757,359) | (79,678,696) | 6,341,356 |
| Transfer in | 6,533,351 | 62,300,514 | 67,840,410 | 136,674,275 |
| Transfer out | (84,291,720) | (52,382,388) | (167) | (136,674,275) |
| Capital Contributions | <u>5,960,000</u> | <u>-</u> | <u>-</u> | <u>5,960,000</u> |
| Change in net position | 28,979,042 | (4,839,233) | (11,838,453) | 12,301,356 |
| NET POSITION (DEFICIT), Beginning of Year | <u>(275,703,205)</u> | <u>127,224,135</u> | <u>23,311,123</u> | <u>(125,167,947)</u> |
| NET POSITION (DEFICIT), END OF YEAR | <u>\$ (246,724,163)</u> | <u>\$ 122,384,902</u> | <u>\$ 11,472,670</u> | <u>\$ (112,866,591)</u> |

Note: Transfers in (out) are used for recording financial activity related to borrowing proceeds and MBO requirements.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES

For the Year Ended June 30, 2021

Interfund balances result from the time lag between the dates interfund goods and services are provided or reimbursable expenditures occur and when the payment between funds are made. Interfund balances for the year ended June 30, 2021 consisted of the following:

| | Sewage Disposal Fund due to Water Fund | | | |
|---------------------------------|--|---------------------------------|-------------------------|---------------------|
| | Sewer Operations | Sewer Improvement and Extension | Sewer Construction Fund | Total |
| Water Operations | \$ - | \$ 1,539 | \$ - | \$ 1,539 |
| Water Improvement and Extension | - | 1,680,681 | - | 1,680,681 |
| Water Construction Fund | <u>19,271</u> | <u>435,250</u> | <u>649,603</u> | <u>1,104,124</u> |
| TOTALS | <u>\$ 19,271</u> | <u>\$ 2,117,470</u> | <u>\$ 649,603</u> | <u>\$ 2,786,344</u> |

| | Water Fund due to Sewage Disposal Fund | | | |
|---------------------------------|--|---------------------------------|-----------------|-------------------|
| | Water Operations | Water Improvement and Extension | Water Bond Fund | Total |
| Sewer Operations | \$ - | \$ - | \$ - | \$ - |
| Sewer Improvement and Extension | - | - | - | - |
| Sewer Construction Fund | <u>162,368</u> | <u>-</u> | <u>-</u> | <u>162,368</u> |
| TOTALS | <u>\$ 162,368</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 162,368</u> |

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF OPERATING EXPENSES FOR WATER OPERATIONS - BUDGET TO ACTUAL
For the Year Ended June 30, 2021

| | Original Budget | Amended Budget | Administrative and Centralized Services Reclassification | Final Amended Budget | Actual | Variance Under (Over) Amended Budget | Percent Under (Over) Amended Budget |
|------------------------------------|-----------------------|-----------------------|---|----------------------------|-----------------------|---|--|
| Operating Expenses | | | | | | | |
| Personnel | \$ 72,461,431 | \$ 73,336,792 | \$ (25,876,915) | \$ 47,459,877 | \$ 43,889,495 | \$ 3,570,382 | 7.52% |
| Contractual services | 79,428,425 | 76,555,052 | (31,896,344) | 44,658,708 | 35,468,574 | 9,190,134 | 20.58% |
| Utilities | 26,405,424 | 28,859,024 | (130,820) | 28,728,204 | 28,828,226 | (100,022) | -0.35% |
| Chemicals | 5,053,900 | 6,023,900 | - | 6,023,900 | 6,028,141 | (4,241) | -0.07% |
| Supplies and other expenses | 24,379,546 | 19,226,760 | (7,681,670) | 11,545,090 | 9,158,990 | 2,386,100 | 20.67% |
| Capital program allocation | (2,121,915) | (2,120,769) | - | (2,120,769) | (2,123,060) | 2,291 | -0.11% |
| Intergovernmental reimbursements | (3,074,700) | (4,173,824) | - | (4,173,824) | (2,409,511) | (1,764,313) | 42.27% |
| Centralized services allocation | (53,415,100) | (52,176,000) | 52,176,000 | - | - | - | 0.00% |
| Administrative services allocation | (15,854,600) | (15,145,000) | 15,145,000 | - | - | - | 0.00% |
| Unallocated reserve | <u>3,864,889</u> | <u>3,741,365</u> | <u>(1,735,251)</u> | <u>2,006,114</u> | <u>-</u> | <u>2,006,114</u> | 100.00% |
| TOTAL OPERATING EXPENSES | | | | | | | |
| BUDGET BASIS | <u>\$ 137,127,300</u> | <u>\$ 134,127,300</u> | <u>\$ -</u> | <u>\$ 134,127,300</u> | <u>\$ 118,840,855</u> | <u>\$ 15,286,445</u> | 11.40% |

Note: Centralized and administrative services allocations have been applied to the expense categories above for presentation of the amended budget to the actual amounts.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF OPERATING EXPENSES FOR SEWAGE DISPOSAL OPERATIONS - BUDGET TO ACTUAL For the Year Ended June 30, 2021

| | Original Budget | Amended Budget | Administrative and Centralized Services Reclassification | Final Amended Budget | Actual | Variance Under (Over) Amended Budget | Percent Under (Over) Amended Budget |
|--|-----------------------|-----------------------|---|----------------------------|-----------------------|---|--|
| Operating Expenses | | | | | | | |
| Personnel | \$ 37,871,716 | \$ 37,762,892 | \$ 25,876,915 | \$ 63,639,807 | \$ 63,055,636 | \$ 584,171 | 0.92% |
| Contractual services | 26,725,021 | 23,421,021 | 31,896,344 | 55,317,365 | 56,731,877 | (1,414,512) | -2.56% |
| Utilities | 25,531,600 | 23,523,600 | 130,820 | 23,654,420 | 23,921,428 | (267,008) | -1.13% |
| Chemicals | 8,365,940 | 8,338,340 | - | 8,338,340 | 7,953,995 | 384,345 | 4.61% |
| Supplies and other expenses | 14,242,252 | 16,368,851 | 7,562,870 | 23,931,721 | 21,938,081 | 1,993,640 | 8.33% |
| Capital program allocation | (1,325,784) | (1,325,784) | - | (1,325,784) | (1,068,749) | (257,035) | 19.39% |
| Intergovernmental reimbursements | (338,200) | (338,200) | - | (338,200) | (338,212) | 12 | 0.00% |
| Centralized services allocation | 53,415,100 | 52,176,000 | (52,176,000) | - | - | - | 0.00% |
| Administrative services allocation | 15,854,600 | 15,145,000 | (15,145,000) | - | - | - | 0.00% |
| Unallocated reserve | 4,603,855 | 7,224,280 | 1,735,251 | 8,959,531 | - | 8,959,531 | 100.00% |
| Total operating expenses before depreciation and amortization financial reporting basis | 184,946,100 | 182,296,000 | (118,800) | 182,177,200 | 172,194,056 | 9,983,144 | |
| Warehouse lease [1] | - | - | 118,800 | 118,800 | 118,759 | 41 | 0.03% |
| TOTAL OPERATING EXPENSES BUDGET BASIS | <u>\$ 184,946,100</u> | <u>\$ 182,296,000</u> | <u>\$ -</u> | <u>\$ 182,296,000</u> | <u>\$ 172,312,815</u> | <u>\$ 9,983,185</u> | 5.48% |

[1] The warehouse lease is an expense for budget purposes. For financial reporting it is accounted for under GASB 87 as a capitalized lease.

Note: Centralized and administrative services allocations have been applied to the expense categories above for presentation of the amended budget to the actual amounts.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF OPERATING EXPENSES FOR COMBINED WATER AND SEWAGE DISPOSAL OPERATIONS - BUDGET TO ACTUAL
For the Year Ended June 30, 2021

| | Original Budget | Final Amended Budget | Actual | Variance Under (Over) Amended Budget | Percent Under (Over) Amended Budget |
|--|-----------------------|----------------------------|-----------------------|---|--|
| Operating Expenses | | | | | |
| Personnel | \$ 110,333,147 | \$ 111,099,684 | \$ 106,945,131 | \$ 4,154,553 | 3.74% |
| Contractual services | 106,153,446 | 99,976,073 | 92,200,451 | 7,775,622 | 7.78% |
| Utilities | 51,937,024 | 52,382,624 | 52,749,654 | (367,030) | -0.70% |
| Chemicals | 13,419,840 | 14,362,240 | 13,982,136 | 380,104 | 2.65% |
| Supplies and other expenses | 38,621,798 | 35,476,811 | 31,097,071 | 4,379,740 | 12.35% |
| Capital program allocation | (3,447,699) | (3,446,553) | (3,191,809) | (254,744) | 7.39% |
| Intergovernmental reimbursements | (3,412,900) | (4,512,024) | (2,747,723) | (1,764,301) | 39.10% |
| Centralized services allocation | - | - | - | - | 0.00% |
| Administrative services allocation | - | - | - | - | 0.00% |
| Unallocated reserve | 8,468,744 | 10,965,645 | - | 10,965,645 | 100.00% |
| Total operating expenses before depreciation and amortization financial reporting basis | 322,073,400 | 316,304,500 | 291,034,911 | 25,269,589 | |
| Warehouse lease | - | 118,800 | 118,759 | 41 | 0.03% |
| TOTAL OPERATING EXPENSES BUDGET BASIS | \$ 322,073,400 | \$ 316,423,300 | \$ 291,153,670 | \$ 25,269,630 | 7.99% |

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF REVENUE REQUIREMENT
BUDGET TO ACTUAL - WATER OPERATIONS
For the Year Ended June 30, 2021

The Great Lakes Water Authority Board adopts a budget using a revenue requirement method for its operating funds that aligns with water and wastewater revenue charges. This method applies an accrual basis of accounting for revenues and operating expenses in addition to a cash basis of accounting for other commitments, such as debt service, Detroit General Retirement closed pension commitment, lease payment, reserves and certain other payments. The schedule below presents the Board adopted budgeted, adjusted for amendments, for comparison with actual revenues, expenses, and other payments. Overall, the Water Operations experienced a positive variance of approximately \$13.6 million.

| | 2021 Adopted Budget | 2021 Amended Budget | 2021 Actual | Variance Over (Under) Amended Budget |
|---|------------------------|------------------------|-----------------------|---|
| Revenues | | | | |
| Revenue from Charges | | | | |
| Suburban Wholesale Customers [1] | \$ 314,252,200 | \$ 317,033,600 | \$ 315,771,515 | \$ (1,262,085) |
| Local system charges | 22,555,400 | 21,925,500 | 21,925,500 | - |
| Total Revenue from Charges | <u>336,807,600</u> | <u>338,959,100</u> | <u>337,697,015</u> | <u>(1,262,085)</u> |
| Other Revenue [2] | - | 229,000 | 267,562 | 38,562 |
| Investment earnings [3] | <u>4,834,400</u> | <u>3,955,700</u> | <u>4,195,305</u> | <u>239,605</u> |
| Total Revenues | <u>\$ 341,642,000</u> | <u>\$ 343,143,800</u> | <u>\$ 342,159,882</u> | <u>\$ (983,918)</u> |
| Revenue Requirements | | | | |
| Operations and Maintenance [4] | \$ 137,127,300 | \$ 134,127,300 | \$ 118,840,855 | \$ (15,286,445) |
| General Retirement System Legacy Pension | 6,048,000 | 6,048,000 | 6,048,000 | - |
| Debt Service | 143,189,900 | 137,436,000 | 138,100,407 | 664,407 |
| General Retirement System Accelerated Pension | 6,268,300 | 6,268,300 | 6,268,300 | - |
| Water Residential Assistance Program Contribution | 1,669,400 | 1,669,400 | 1,669,400 | - |
| Contribution to Operating Reserves | 876,600 | - | - | - |
| Regional System Lease | 22,500,000 | 22,500,000 | 22,500,000 | - |
| Transfer to the Improvement & Extension Fund | <u>23,962,500</u> | <u>35,094,800</u> | <u>35,094,800</u> | <u>-</u> |
| Total Revenue Requirements | <u>\$ 341,642,000</u> | <u>\$ 343,143,800</u> | <u>\$ 328,521,762</u> | <u>\$ (14,622,038)</u> |
| Revenue Requirement Variance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,638,120</u> | <u>\$ 13,638,120</u> |

[1] Revenue from Charges - Suburban Wholesale Customers presented in this schedule differs from those presented on the Statement of Revenues, Expenses and Changes in Net position due to \$6,652,253 of revenue which was credited for the KWA debt service which is a non-cash transaction that is the lease payment on the raw water rights.

[2] Other Revenue includes other operating revenues and other nonoperating revenues for the Water Operations Fund. Numbers will not match combining schedules as other nonoperating is net of income and expenses.

[3] Investment earnings excludes construction fund.

[4] See the Schedule of Operating Expenses for Water Operations - Budget to Actual. Operations and Maintenance expenses in this schedule are based on activities relating only to the Water Operations Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF REVENUE REQUIREMENT
 BUDGET TO ACTUAL - SEWAGE DISPOSAL OPERATIONS
 For the Year Ended June 30, 2021

The Great Lakes Water Authority Board adopts a budget using a revenue requirement method for its operating funds that aligns with water and wastewater revenue charges. This method applies an accrual basis of accounting for revenues and operating expenses in addition to a cash basis of accounting for other commitments, such as debt service, Detroit General Retirement closed pension commitment, lease payment, reserves and certain other payments. The schedule below presents the Board adopted budgeted, adjusted for amendments, for comparison with actual revenues, expenses, and other payments. Overall, the Sewage Disposal Operations had a positive variance of approximately \$11.9 million.

| | 2021 Adopted Budget | 2021 Amended Budget | 2021 Actual | Variance Over (Under) Amended Budget |
|---|------------------------|------------------------|-----------------------|---|
| Revenues | | | | |
| Revenue from Charges | | | | |
| Suburban Wholesale Customers | \$ 271,051,800 | \$ 266,493,500 | \$ 267,567,816 | \$ 1,074,316 |
| Suburban Wholesale Other | 5,960,000 | 5,960,000 | 5,960,000 | - |
| Local System Charges | 190,112,100 | 187,959,700 | 187,959,700 | - |
| Industrial Waste Control | 8,775,400 | 7,684,700 | 8,004,939 | 320,239 |
| Pollutant Surcharges | <u>5,262,800</u> | <u>6,107,600</u> | <u>6,719,964</u> | <u>612,364</u> |
| Total Revenue from Charges | <u>481,162,100</u> | <u>474,205,500</u> | <u>476,212,419</u> | <u>2,006,919</u> |
| Other Revenue [1] | - | 2,195,300 | 2,217,405 | 22,105 |
| Investment earnings [2] | <u>5,589,200</u> | <u>2,778,100</u> | <u>2,802,041</u> | <u>23,941</u> |
| Total Revenues | <u>\$ 486,751,300</u> | <u>\$ 479,178,900</u> | <u>\$ 481,231,865</u> | <u>\$ 2,052,965</u> |
| Revenue Requirements | | | | |
| Operations and Maintenance [3] | 184,946,100 | 182,296,000 | 172,312,815 | (9,983,185) |
| General Retirement System Legacy Pension | 10,824,000 | 10,824,000 | 10,824,000 | - |
| Debt Service | 209,739,900 | 201,780,400 | 201,945,083 | 164,683 |
| General Retirement System Accelerated Pension | 11,620,700 | 11,620,700 | 11,620,700 | - |
| Water Residential Assistance Program Contribution | 2,415,100 | 2,415,100 | 2,415,100 | - |
| Regional System Lease | 27,500,000 | 27,500,000 | 27,500,000 | - |
| Transfer to the Improvement & Extension Fund [4] | <u>39,705,500</u> | <u>42,742,700</u> | <u>42,742,700</u> | <u>-</u> |
| Total Revenue Requirements | <u>\$ 486,751,300</u> | <u>\$ 479,178,900</u> | <u>\$ 469,360,398</u> | <u>\$ (9,818,502)</u> |
| Revenue Requirement Variance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,871,467</u> | <u>\$ 11,871,467</u> |

[1] Other Revenue includes other operating revenues and other nonoperating revenues for the Sewer Operations Fund. Numbers will not match combining schedules as other nonoperating is net of income and expenses.

[2] Investment earnings excludes construction fund.

[3] See the Schedule of Operating Expenses for Sewage Disposal Operations - Budget to Actual. Operations and Maintenance expenses in this schedule are based on activities relating only to the Sewer Operations Fund.

[4] DWSD loan receivable payments are transferred directly to the Improvement & Extension Fund. They are excluded from this schedule because they are not part of the revenue requirement methodology used to set charges.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF REVENUE REQUIREMENT TO STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION CROSSWALK
For the Year Ended June 30, 2021

The Great Lakes Water Authority establishes a Revenue Requirement budget for the purpose of establishing charges for services which follows a modified cash basis of accounting. Conversely, the annual financial report is prepared in accordance with Generally Accepted Accounting Principles for enterprise funds of a local government. Because the budget and the financial report are prepared using different bases of accounting, a crosswalk is prepared to reconcile fiscal year financial performance from the budget basis of accounting to the financial statement basis of accounting.

Key areas of reconciliation include the following:

- Defined Benefit Pension related to the City of Detroit General Employees Retirement System. Annual contributions are an expense for the budget basis while the accrual basis financial report reflects the current year payment as a deferred outflow.
- Debt Service (principal and interest) is an expense for the budget basis while the accrual basis financial report treats interest as an expense and principal payments as a reduction of a liability.
- Lease payments (principal and interest) are an expense for the budget basis while the accrual basis financial report treats interest as an expense and principal payments as a reduction of a liability.
- Contributions to the Regional System Improvement & Extension Fund are an expense for the budget basis while the accrual basis financial report treats this activity as an increase in assets.
- Depreciation and amortization are not a components of the budget basis while the accrual basis financial report treats these as an expense.

| | Water | Sewage Disposal | Combined |
|---|---------------------|----------------------|----------------------|
| Revenue Requirement Variance from Schedule of Revenue Requirement | \$ 13,638,120 | \$ 11,871,467 | \$ 25,509,587 |
| Budgetary categories adjustments to financial reporting basis | | | |
| Pension delayed accounting election adjustments | | | |
| Current year pension transfers/ payments recorded as deferral | 10,810,800 | 19,347,900 | 30,158,700 |
| Prior year pension contribution accounted for in current year | (8,075,457) | (14,452,504) | (22,527,961) |
| Administrative prepaid adjustment | 451,351 | 807,776 | 1,259,127 |
| Debt service | 57,276,393 | 106,999,056 | 164,275,449 |
| Accelerated pension and B&C notes obligation | 184,984 | 416,110 | 601,094 |
| Regional system lease | 5,250,648 | 6,417,459 | 11,668,107 |
| Right to use lease - warehouse | - | 85,193 | 85,193 |
| Water Residential Assistance Program (WRAP) | 1,076,194 | 1,490,853 | 2,567,047 |
| Improvement & Extension fund transfers | 35,094,800 | 42,742,700 | 77,837,500 |
| Nonbudgeted financial reporting categories adjustments | | | |
| Depreciation and amortization | (126,838,205) | (150,881,991) | (277,720,196) |
| Amortization - debt related | 15,988,278 | (3,022,639) | 12,965,639 |
| Improvement & Extension operating expenses | (4,797,237) | (5,907,368) | (10,704,605) |
| Gain (loss) on disposal of capital assets | (123,932) | (241,105) | (365,037) |
| Raw water rights obligation | 2,633,672 | - | 2,633,672 |
| Investment earnings for construction fund | 19,800 | 23,103 | 42,903 |
| Interest on DWSD note receivable | - | 635,284 | 635,284 |
| Investment earnings unrealized gain (loss) | (3,446,187) | (2,334,438) | (5,780,625) |
| Other temporary differences | - | (1,695,500) | (1,695,500) |
| Change in Net Position per Statement of Revenues, Expenses and Changes in Net Position | <u>\$ (855,978)</u> | <u>\$ 12,301,356</u> | <u>\$ 11,445,378</u> |

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

WATER IMPROVEMENT AND EXTENSION FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2021

The Great Lakes Water Authority Board adopts a budget for the uses of the Improvement & Extension Funds. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual activity in the Water I&E Fund. The Water System I&E Fund experienced a decrease of \$81.3 million in net position which represents use of I&E funds reserved from prior years. This was expected as it aligns with the capital funding strategy. The system experienced a positive budget variance of approximately \$12.5 million.

| | Adopted Budget | Amended Budget | Actual [2] | Variance Over (Under) Amended Budget |
|---|------------------------|------------------------|------------------------|---|
| Inflows | | | | |
| Revenue transfers | \$ 23,962,500 | \$ 35,094,800 | \$ 35,094,800 | \$ - |
| Operating transfer | - | - | 1,000 | 1,000 |
| Investment earnings [1] | - | 3,048,400 | 3,539,066 | 490,666 |
| Total Inflows | <u>23,962,500</u> | <u>38,143,200</u> | <u>38,634,866</u> | <u>491,666</u> |
| Outflows | | | | |
| Capital spending other (net operating expenses) | - | 4,922,800 | 4,797,237 | (125,563) |
| Capital outlay | 17,892,000 | 10,559,100 | 11,893,172 | 1,334,072 |
| Water system revenue transfer out [1] | - | 3,048,400 | 3,898,841 | 850,441 |
| Revenue financed capital - transfer to Water Construction Fund | 75,000,000 | 110,077,200 | 95,963,693 | (14,113,507) |
| Total Outflows | <u>92,892,000</u> | <u>128,607,500</u> | <u>116,552,943</u> | <u>(12,054,557)</u> |
| Net Increase (Decrease) - Budget Basis | <u>\$ (68,929,500)</u> | <u>\$ (90,464,300)</u> | <u>(77,918,077)</u> | <u>\$ 12,546,223</u> |
| Non-budgeted inflows (outflows) | | | | |
| Net decrease in fair value of investments | | | (2,931,504) | |
| Asset transfers between systems (net) | | | (436,524) | |
| Other | | | 8,950 | |
| Combining Schedule Water I&E Fund Change in Net Position [2] | | | <u>\$ (81,277,155)</u> | |

[1] As required by the Master Bond Ordinance investment earnings on I&E funds are transferred to the receiving fund on a monthly basis and are reported in the Operations Fund Budget to Actual investment earnings line item. See Schedule of Revenue Requirement Budget to Actual - Water Operations. This amount does not include the net change in the fair value of investments as the cash is not available until the investments mature or are sold and gains and losses are realized.

[2] See the Combining Schedule of Revenues, Expenses and Changes in Net Position - Water Fund. Information in this schedule is based on activity in the Water Improvement and Extension Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SEWER IMPROVEMENT AND EXTENSION FUND - BUDGET TO ACTUAL

For the Year Ended June 30, 2021

The Great Lakes Water Authority Board adopts a budget for the uses of the Improvement & Extension Funds. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual activity in the Sewer I&E Fund. Overall, the Sewer System I&E Fund experienced a decrease of \$4.8 million in net position which represents use of I&E funds reserved from prior years. This was expected as it aligns with the capital funding strategy. The system experienced a negative budget variance of approximately \$5.4 million.

| | Adopted Budget | Amended Budget | Actual [2] | Variance Over (Under) Amended Budget |
|---|-----------------------|---------------------|-----------------------|---|
| Inflows | | | | |
| Revenue transfers | \$ 39,705,500 | \$ 42,742,700 | \$ 42,742,700 | \$ - |
| Receipt of DWSD shortfall loan | 19,288,300 | 19,288,300 | 18,841,715 | (446,585) |
| Investment earnings [1] | - | 1,401,300 | 1,510,308 | 109,008 |
| Total Inflows | <u>58,993,800</u> | <u>63,432,300</u> | <u>63,094,723</u> | <u>(337,577)</u> |
| Outflows | | | | |
| Capital spending other (net operating expenses) | - | 2,460,700 | 5,907,368 | 3,446,668 |
| Capital outlay | 20,481,100 | 14,270,300 | 9,120,833 | (5,149,467) |
| Sewer system revenue transfer out [1] | - | 1,401,300 | 1,532,672 | 131,372 |
| Revenue financed capital - transfer to Sewer Construction Fund | 42,500,000 | 43,971,200 | 50,579,091 | 6,607,891 |
| Total Outflows | <u>62,981,100</u> | <u>62,103,500</u> | <u>67,139,964</u> | <u>5,036,464</u> |
| Net Increase (Decrease) - Budget Basis | <u>\$ (3,987,300)</u> | <u>\$ 1,328,800</u> | (4,045,241) | <u>\$ (5,374,041)</u> |
| Non-budgeted inflows (outflows) | | | | |
| Net decrease in fair value of investments | | | (1,239,466) | |
| Asset transfers between systems (net) | | | 436,524 | |
| Other | | | 8,950 | |
| Combining Schedule Sewer I&E Fund Change in Net Position [2] | | | <u>\$ (4,839,233)</u> | |

[1] As required by the Master Bond Ordinance investment earnings on I&E funds are transferred to the receiving fund on a monthly basis and are reported in the Operations Fund Budget to Actual investment earnings line item. See Schedule of Revenue Requirement Budget to Actual - Sewage Disposal Operations. This amount does not include the net change in the fair value of investments as the cash is not available until the investments mature or are sold and gains and losses are realized.

[2] See the Combining Schedule of Revenues, Expenses and Changes in Net Position - Sewage Disposal Fund. Information in this schedule is based on activity in the Sewer Improvement and Extension Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

WATER CONSTRUCTION FUND - BUDGET TO ACTUAL
For the Year Ended June 30, 2021

The Great Lakes Water Authority Board adopts a budget for the use of the Construction Funds. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual activity in the Water Construction Fund. The Water System Construction Fund had a decrease of \$8.4 million in net position which represents use of construction funds from prior periods. This was expected as it aligns with the capital funding strategy. The system experienced a negative budget variance of approximately \$0.8 million.

| | Adopted Budget | Amended Budget | Actual [2] | Variance Over (Under) Amended Budget |
|--|------------------------|-----------------------|-----------------------|---|
| Inflows | | | | |
| Transfers from Water Improvement & Extension Fund | \$ 75,000,000 | \$ 110,077,200 | \$ 95,963,693 | \$ (14,113,507) |
| State revolving loans | 12,365,800 | 12,365,800 | 20,186,528 | 7,820,728 |
| Investment earnings [1] | 820,400 | 26,800 | 19,800 | (7,000) |
| Total Inflows | <u>88,186,200</u> | <u>122,469,800</u> | <u>116,170,021</u> | <u>(6,299,779)</u> |
| Outflows | | | | |
| Water system revenue transfer out [1] | - | - | 370 | 370 |
| Capital projects | 110,673,000 | 129,984,400 | 124,533,977 | (5,450,423) |
| Total Outflows | <u>110,673,000</u> | <u>129,984,400</u> | <u>124,534,347</u> | <u>(5,450,053)</u> |
| Net Increase (Decrease) - Budget Basis | <u>\$ (22,486,800)</u> | <u>\$ (7,514,600)</u> | (8,364,326) | <u>\$ (849,726)</u> |
| Non-budgeted inflows (outflows) | | | | |
| Net decrease in fair value of investments | | | (4,145) | |
| Combining Schedule Water Construction Fund Change in Net Position [2] | | | <u>\$ (8,368,471)</u> | |

[1] As required by the Master Bond Ordinance investment earnings on I&E funds are transferred to the receiving fund on a monthly basis and are reported in the Operations Fund Budget to Actual investment earnings line item. The Construction funds contains a combination of revenue bonds (interest earnings stay in the fund) and I&E funds (interest earnings are transferred to the receiving fund). There were no revenue bonds proceeds remaining in the Construction funds at June 30, 2021. See Schedule of Revenue Requirement Budget to Actual - Water Operations. This amount does not include the net change in the fair value of investments as the cash is not available until the investments mature or are sold and gains and losses are realized.

[2] See the Combining Schedule of Revenues, Expenses and Changes in Net Position - Water Fund. Information in this schedule is based on activity in the Water Construction Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SEWER CONSTRUCTION FUND - BUDGET TO ACTUAL

For the Year Ended June 30, 2021

The Great Lakes Water Authority Board adopts a budget for the use of the Construction Funds. The schedule below presents the Board adopted budget, adjusted for amendments, for comparison with actual activity in the Sewer Construction Fund. The Sewer System Construction Fund had a decrease of \$11.8 million in net position which represents use of construction funds from prior periods. This was expected as it aligns with the capital funding strategy. They system experienced a negative budget variance of approximately \$4.6 million.

| | Adopted Budget | Amended Budget | Actual [2] | Variance Over (Under) Amended Budget |
|--|-----------------------|-----------------------|------------------------|---|
| Inflows | | | | |
| Transfers from Sewer Improvement & Extension Fund | \$ 42,500,000 | \$ 43,971,200 | \$ 50,579,091 | \$ 6,607,891 |
| State revolving loans | 33,200,000 | 33,200,000 | 17,261,319 | (15,938,681) |
| Investment earnings [1] | 497,700 | 27,600 | 23,103 | (4,497) |
| Total Inflows | <u>76,197,700</u> | <u>77,198,800</u> | <u>67,863,513</u> | <u>(9,335,287)</u> |
| Outflows | | | | |
| Sewer system revenue transfer out [1] | - | - | 167 | 167 |
| Capital projects | 82,979,000 | 84,459,700 | 79,698,178 | (4,761,522) |
| Total Outflows | <u>82,979,000</u> | <u>84,459,700</u> | <u>79,698,345</u> | <u>(4,761,355)</u> |
| Net Increase (Decrease) - Budget Basis | <u>\$ (6,781,300)</u> | <u>\$ (7,260,900)</u> | <u>(11,834,832)</u> | <u>\$ (4,573,932)</u> |
| Non-budgeted inflows (outflows) | | | | |
| Net decrease in fair value of investments | | | <u>(3,621)</u> | |
| Combining Schedule Sewage Disposal Construction Fund Change in Net Position [2] | | | <u>\$ (11,838,453)</u> | |

[1] As required by the Master Bond Ordinance investment earnings on I&E funds are transferred to the receiving fund on a monthly basis and are reported in the Operations Fund Budget to Actual investment earnings line item. The Construction funds contains a combination of revenue bonds (interest earnings stay in the fund) and I&E funds (interest earnings are transferred to the receiving fund). There were no revenue bonds proceeds remaining in the Construction funds at June 30, 2021. See Schedule of Revenue Requirement Budget to Actual - Sewage Disposal Operations. This amount does not include the net change in the fair value of investments as the cash is not available until the investments mature or are sold and gains and losses are realized.

[2] See the Combining Schedule of Revenues, Expenses and Changes in Net Position - Sewage Disposal Fund. Information in this schedule is based on activity in the Sewer Construction Fund.

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF DAYS CASH - LIQUIDITY
June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016* |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Water Fund | | | | | | |
| Cash and investments - Unrestricted | \$ 353,308,385 | \$ 394,440,814 | \$ 347,204,928 | \$ 317,089,746 | \$ 267,335,558 | \$ 167,292,572 |
| Operating Expense | | | | | | |
| Operating expense | \$ 250,476,297 | \$ 263,282,730 | \$ 263,959,730 | \$ 254,602,752 | \$ 245,868,861 | \$ 120,841,204 |
| Less: depreciation | (123,271,541) | (127,183,228) | (140,571,120) | (143,991,815) | (144,137,912) | (71,295,545) |
| Less: amortization of intangible asset | (3,566,664) | (3,566,664) | (3,566,664) | (2,080,554) | - | - |
| Net Operating Expense | \$ 123,638,092 | \$ 132,532,838 | \$ 119,821,946 | \$ 108,530,383 | \$ 101,730,949 | \$ 49,545,659 |
| Operating Expense per Day (365 days) | \$ 338,734 | \$ 363,104 | \$ 328,279 | \$ 297,344 | \$ 278,715 | \$ 273,733 |
| Days Cash | | | | | | |
| Number of days cash | 1,043 | 1,086 | 1,058 | 1,066 | 959 | 611 |
| Sewage Disposal Fund | | | | | | |
| Cash and investments - Unrestricted | \$ 323,972,718 | \$ 287,464,920 | \$ 236,057,128 | \$ 208,563,268 | \$ 205,179,312 | \$ 188,063,375 |
| Operating Expense | | | | | | |
| Operating expense | \$ 328,983,415 | \$ 329,870,427 | \$ 342,585,175 | \$ 363,629,987 | \$ 336,946,731 | \$ 170,401,050 |
| Less: depreciation | (150,772,065) | (152,920,967) | (168,544,370) | (187,250,583) | (185,628,465) | (86,021,029) |
| Less: amortization of intangible asset | (109,926) | - | - | - | - | - |
| Net Operating Expense | \$ 178,101,424 | \$ 176,949,460 | \$ 174,040,805 | \$ 176,379,404 | \$ 151,318,266 | \$ 84,380,021 |
| Operating Expense per Day (365 days) | \$ 487,949 | \$ 484,793 | \$ 476,824 | \$ 483,231 | \$ 414,571 | \$ 466,188 |
| Days Cash | | | | | | |
| Number of days cash | 664 | 593 | 495 | 432 | 495 | 403 |
| Combined | | | | | | |
| Cash and investments - Unrestricted | \$ 677,281,103 | \$ 681,905,734 | \$ 583,262,056 | \$ 525,653,014 | \$ 472,514,870 | \$ 355,355,947 |
| Operating Expense | | | | | | |
| Operating expense | \$ 579,459,712 | \$ 593,153,157 | \$ 606,544,905 | \$ 618,232,739 | \$ 582,815,592 | \$ 291,242,254 |
| Less: depreciation | (274,043,606) | (280,104,195) | (309,115,490) | (331,242,398) | (329,766,377) | (157,316,574) |
| Less: amortization of intangible asset | (3,676,590) | (3,566,664) | (3,566,664) | (2,080,554) | - | - |
| Net Operating Expense | \$ 301,739,516 | \$ 309,482,298 | \$ 293,862,751 | \$ 284,909,787 | \$ 253,049,215 | \$ 133,925,680 |
| Operating Expense per Day (365 days) | \$ 826,684 | \$ 847,897 | \$ 805,103 | \$ 780,575 | \$ 693,286 | \$ 739,921 |
| Days Cash | | | | | | |
| Number of days cash | 819 | 804 | 724 | 673 | 682 | 480 |

* GLWA assumed operations on January 1, 2016. Data for 2016 includes six months of operation under GLWA. Operating expense per day for 2016 is computed using 181 days (six months of operations).

The accompanying notes to the supplementary information are an integral part of this schedule.

GREAT LAKES WATER AUTHORITY

NOTES TO SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021

Note 1 – Combining and Individual Fund Schedules

The Combining and Individual Fund Schedules presented combined the six funds the Authority maintains into the two major funds reported in the Basic Financial Statements, the Water Fund and Sewage Disposal Fund. The following describes the six funds and the purpose of each fund.

Water Operations Fund – All water revenues are credited to this fund. All expenses for the operations and maintenance of the water system are paid from this fund. This fund aligns with the operations and maintenance (O&M) expense revenue requirement for establishing service charges.

Sewer Operations Fund – All sewer revenues are credited to this fund. All expenses for the operations and maintenance of the wastewater system are paid from this fund. This fund aligns with the operations and maintenance (O&M) expense revenue requirement for establishing service charges.

Water Improvement & Extension Fund (I&E) – Amounts that are budgeted in the water revenue requirement to reduce debt financing are transferred to this fund as well as any other water funds that management has determined are available for this use. This fund is used for water system capital outlays and capital improvements. Expenditures under the operating expenses category are expenditures incurred for the betterment of the system, which may lead to capital expenditures but are not necessarily applicable to any current capital improvement.

Sewer Improvement & Extension Fund (I&E) - Amounts that are budgeted in the wastewater revenue requirement to reduce debt financing are transferred to this fund as well as any other wastewater funds that management has determined are available for this use. This fund is used for wastewater system capital outlays and capital improvements. Expenditures under the operating expenses category are expenditures incurred for the betterment of the system, which may lead to capital expenditures but are not necessarily applicable to any current capital improvement.

Water Construction Fund – This fund is used to pay for water system capital improvements from Water Improvement & Extension Fund transfers and the proceeds of water debt obligations and investment earnings thereon.

Sewer Construction Fund – This fund is used to pay for the wastewater system capital improvements from Sewer Improvement & Extension Fund transfers and the proceeds of sewer debt obligations and investment earnings thereon.

GREAT LAKES WATER AUTHORITY

NOTES TO SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2021

Note 2 – Budget to Actual Schedules

Schedule of Operating Expenses – Budget to Actual

The schedule of operating expenses for the water system operations and the sewage disposal system operations provides the detail of the major expense categories of the operations budget compared to the actual results. With the implementation of GASB 87 by the Authority this fiscal year, there has been a change in the presentation of this schedule as the total payments made for the new warehouse lease are included in the operations budget as an expense. For financial reporting purposes the warehouse payments are treated as a reduction in the lease liability and interest expense (which is a nonoperating expense).

The schedule includes the actual operating expenses before depreciation and amortization for the Water Operations and the Sewer Operations reported in the Combining Schedule of Revenues, Expenses and Changes in Net position for the Water Fund and the Sewage Disposal Fund. The GASB 87 line represents the total lease payments made for the warehouse lease which is included in the budget as an operating lease.

Schedule of Revenue Requirement – Budget to Actual

The revenue requirement is the basis for GLWA's budget and calculating Member Partner service charges. The revenue requirement is presented to align with the Master Bond Ordinance flow of funds categories. The budget basis reflects revenues and operations and maintenance expenses on an accrual basis adjusted for GASB 87 as described in the note above, in addition to cash payments for debt service, legacy pension obligations, and regional system lease related activities.

The revenue requirement basis is foundational to GLWA's daily operations and long-term financial planning. The budget is adopted by the GLWA Board of Directors by resolution. The Board's action establishes the total operations and maintenance budget, total debt service requirements and total capital expenditures for the I&E Fund and Construction Fund for both the Regional Water System and the Regional Sewer System. The legal level of budgetary control is at this level. Administratively, the budget may be modified within these categories. Modifications to the budget beyond those established levels would be presented to the Audit Committee, and subsequently to the Board.

Note 3 – Schedule of Revenue Requirement to Statement of Revenues, Expenses and Changes in Net Position Crosswalk

The Great Lakes Water Authority establishes a revenue requirements budget for the purposes of establishing charges, which follows a modified cash basis of accounting. The financial report is prepared in accordance with Generally Accepted Accounting Principles for enterprise funds of a local government. The crosswalk provides a reconciliation between the different basis of accounting used for the budget and the financial report.

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STATISTICAL SECTION

GREAT LAKES WATER AUTHORITY

STATISTICAL SECTION TABLE OF CONTENTS

The objective of the statistical section is to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the Authority's economic condition.

The statistical section information is presented in the following categories:

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|---|--|--------------------|
| Financial Trends Schedules 1 through 2 | Financial trends information is intended to show how the Authority's financial position has changed over time. | 112 |
| Revenue Capacity Schedules 3 through 7 | Revenue capacity information is intended to show the factors affecting the Authority's ability to generate its own-source revenue. | 121 |
| Debt Capacity Information Schedules 8 through 12 | Debt capacity information is intended to show the Authority's debt burden and its ability to issue additional debt. | 127 |
| Demographic and Economic Schedules 13 through 14 | Demographic and economic information is intended to show the socioeconomic environment within which the Authority operates. | 141 |
| Operating Information Schedules 15 through 17 | Operating information is intended to show contextual information about operations and resources to provide understanding and assessing the Authority's economic condition. | 143 |

Sources: Unless otherwise noted, information presented in these schedules was obtained from GLWA's comprehensive annual financial reports, the prior financial reports of DWSD or other internal information systems.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF NET POSITION - BUSINESS-TYPE ACTIVITIES

As of June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 354,351,132 | \$ 208,356,720 | \$ 309,015,559 | \$ 509,141,777 | \$ 470,231,842 | \$ 311,735,186 |
| Restricted cash and cash equivalents | 151,186,044 | 65,364,730 | 164,495,839 | 105,929,392 | 132,967,081 | 134,210,268 |
| Restricted cash for the benefit of DWSD | 6,064,197 | 1,544,529 | 3,318,316 | 8,418,827 | 288,378 | 62,078 |
| Investments | 322,929,971 | 473,549,014 | 274,246,497 | 16,511,237 | 2,283,028 | 43,620,761 |
| Restricted investments | 31,690,982 | 117,966,914 | 34,852,593 | 33,025,340 | 32,541,021 | 56,661,000 |
| Receivables | | | | | | |
| Billed | 108,247,576 | 95,159,661 | 98,886,172 | 88,712,190 | 88,694,341 | 85,676,104 |
| Unbilled | 54,387,680 | 54,893,266 | 50,441,488 | 54,429,817 | 53,818,603 | 55,345,336 |
| Other | 574,906 | 310,373 | 1,137,526 | 3,728,886 | 3,158,350 | 114,648,035 |
| Allowance for doubtful accounts | (50,884,273) | (44,991,966) | (42,257,915) | (39,084,816) | (35,352,009) | (124,009,242) |
| Due from other governments | 13,240,859 | 31,802,636 | 30,243,156 | 47,927,860 | 50,789,041 | 107,688,300 |
| Due from other funds | 2,948,712 | 2,134,191 | 2,889,522 | 3,778,220 | - | 65,971 |
| Contractual obligation receivable | 31,195,900 | 29,661,490 | 26,418,147 | 24,813,886 | 23,339,242 | 11,929,259 |
| Loan receivable - DWSD | 8,296,578 | 18,206,431 | 17,542,669 | 9,367,355 | - | - |
| Prepaid items and other assets | 11,744,542 | 10,150,336 | 8,448,932 | 4,949,631 | 3,526,568 | 2,591,049 |
| Inventories | 7,795,152 | 7,007,208 | 5,832,593 | 8,471,626 | 8,509,454 | 9,984,063 |
| Total Current Assets | <u>1,053,769,958</u> | <u>1,071,115,533</u> | <u>985,511,094</u> | <u>880,121,228</u> | <u>834,794,940</u> | <u>810,208,168</u> |
| Noncurrent Assets | | | | | | |
| Restricted cash and cash equivalents | 5,395,501 | 47,505,584 | 94,185,040 | 48,263,059 | 306,318,331 | 160,949,722 |
| Restricted investments | 38,533,910 | 39,819,506 | 150,978,512 | 293,697,988 | 101,708,122 | 105,028,079 |
| Contractual obligation receivable | 936,811,819 | 954,297,909 | 883,248,672 | 812,613,943 | 830,432,680 | 832,571,741 |
| Loan receivable - DWSD | - | 8,296,578 | 26,503,010 | 19,932,645 | - | - |
| Prepaid lease | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 | - |
| Assets not subject to depreciation | 813,485,421 | 719,865,490 | 786,405,120 | 706,046,995 | 730,471,792 | 711,434,348 |
| Capital assets being depreciated, net | 3,546,026,747 | 3,689,047,120 | 3,747,783,788 | 3,984,216,865 | 4,178,315,045 | 4,427,945,555 |
| Intangible assets, net | 98,653,054 | 97,786,037 | 101,352,701 | 104,919,365 | - | - |
| Prepaid insurance on debt | 18,357,442 | 19,988,764 | 22,635,151 | 29,933,631 | 32,694,221 | 48,653,581 |
| Total Noncurrent Assets | <u>5,482,263,894</u> | <u>5,601,606,988</u> | <u>5,838,091,994</u> | <u>6,024,624,491</u> | <u>6,204,940,191</u> | <u>6,286,583,026</u> |
| Total Assets | <u>6,536,033,852</u> | <u>6,672,722,521</u> | <u>6,823,603,088</u> | <u>6,904,745,719</u> | <u>7,039,735,131</u> | <u>7,096,791,194</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred charge on refunding | 163,387,050 | 174,435,795 | 241,879,138 | 280,975,963 | 297,646,441 | 328,659,457 |
| Deferred pension amounts | 61,687,252 | 42,661,204 | 31,717,285 | 52,015,636 | 59,954,478 | 37,997,043 |
| Total Deferred Outflows of Resources | <u>225,074,302</u> | <u>217,096,999</u> | <u>273,596,423</u> | <u>332,991,599</u> | <u>357,600,919</u> | <u>366,656,500</u> |

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts and contracts payable | \$ 85,221,415 | \$ 74,070,629 | \$ 74,662,036 | \$ 67,832,136 | \$ 64,298,400 | \$ 85,626,614 |
| Accrued salaries, wages and benefits | 6,028,598 | 5,321,864 | 4,284,220 | 4,734,956 | 3,190,038 | 2,887,280 |
| Other accrued liabilities | 11,573,811 | 5,357,056 | 7,109,589 | 12,679,692 | 2,252,616 | 1,550,254 |
| Due to other governments | 19,443,993 | 20,032,254 | 15,963,934 | 11,983,407 | 61,242,386 | 37,893,903 |
| Due to other funds | 2,948,712 | 2,134,191 | 2,889,522 | 3,778,220 | - | 65,971 |
| Interest payable | 71,811,380 | 58,452,960 | 84,456,284 | 80,431,318 | 80,340,520 | 81,139,013 |
| Current portion of: | | | | | | |
| Revenue bonds and loans | 119,909,733 | 121,998,075 | 117,602,109 | 81,756,050 | 89,314,212 | 96,552,356 |
| Raw water rights obligation | 2,734,246 | 2,624,820 | 2,520,996 | 2,999,458 | - | - |
| Obligation payable | 631,153 | 601,097 | 572,474 | 545,213 | 519,251 | 494,524 |
| Regional system leases | 12,121,951 | 11,627,700 | 11,153,602 | 10,698,835 | 10,262,609 | 9,844,169 |
| Accrued compensated absences | 3,497,267 | 3,881,249 | 3,188,156 | 2,929,412 | 2,837,148 | 2,239,376 |
| Accrued workers' compensation | 255,817 | 176,834 | 217,480 | 228,239 | 25,000 | 785,953 |
| Lease payable | 189,119 | - | - | - | - | - |
| Claims and judgments | 1,925,000 | 2,322,500 | 2,346,111 | 2,529,392 | 3,852,062 | 4,763,944 |
| Total Current Liabilities | 338,292,195 | 308,601,229 | 326,966,513 | 283,126,328 | 318,134,242 | 323,843,357 |
| Noncurrent Liabilities | | | | | | |
| Revenue bonds and loans | 5,319,896,659 | 5,474,913,736 | 5,630,571,800 | 5,714,095,283 | 5,842,482,161 | 5,876,115,822 |
| Raw water rights obligation | 95,361,056 | 98,095,302 | 100,720,123 | 103,241,118 | - | - |
| Obligation payable | 53,751,162 | 54,382,315 | 54,983,412 | 55,555,887 | 56,101,100 | 56,620,351 |
| Regional system lease | 901,738,681 | 913,860,632 | 925,488,338 | 936,641,935 | 947,340,770 | 957,603,379 |
| Lease right to use asset | 4,258,178 | - | - | - | - | - |
| Accrued compensated absences | 2,131,661 | 1,954,359 | 2,049,655 | 2,174,506 | 2,288,125 | 3,511,934 |
| Accrued workers' compensation | 75,000 | 75,000 | 75,000 | 75,000 | 225,000 | 7,953,474 |
| Claims and judgments | 7,550,000 | 7,550,000 | 7,550,000 | 7,550,000 | 262,500 | 25,914,350 |
| Other liabilities | 7,500,000 | 9,178,547 | 9,096,630 | 8,638,011 | 8,565,277 | 8,622,785 |
| Net pension liability | 144,305,198 | 132,909,889 | 131,981,165 | 178,961,907 | 194,075,547 | 170,229,438 |
| Total Noncurrent Liabilities | 6,536,567,595 | 6,692,919,780 | 6,862,516,123 | 7,006,933,647 | 7,051,340,480 | 7,106,571,533 |
| Total Liabilities | 6,874,859,790 | 7,001,521,009 | 7,189,482,636 | 7,290,059,975 | 7,369,474,722 | 7,430,414,890 |
| Deferred Inflows of Resources | | | | | | |
| Deferred gain on refunding | 96,296,284 | 103,809,499 | 108,300,657 | 105,907,267 | 112,080,430 | - |
| Deferred amounts for swap terminations | 84,205 | 106,515 | 240,839 | 270,150 | 299,461 | 4,373,886 |
| Deferred capital contribution | - | 5,960,000 | - | - | - | - |
| Deferred pension amounts | - | - | - | 20,254,690 | 18,316,430 | 43,342,798 |
| Total Deferred Inflows of Resources | 96,380,489 | 109,876,014 | 108,541,496 | 126,432,107 | 130,696,321 | 47,716,684 |
| Net Position | | | | | | |
| Net investment in capital assets | (302,012,473) | (351,218,780) | (228,867,586) | 350,745,726 | 528,875,506 | 851,734,519 |
| Restricted for debt service | 114,544,694 | 105,282,969 | 146,977,835 | 125,235,904 | 134,125,957 | 178,540,029 |
| Restricted for capital acquisition | - | - | - | 243,238,577 | 323,905,502 | 164,326,618 |
| Restricted for payment assistance program | 11,043,109 | 8,988,078 | 8,001,369 | 5,771,110 | 5,336,117 | 977,278 |
| Unrestricted deficit | (33,707,455) | 15,370,230 | (126,936,239) | (903,746,081) | (1,095,078,075) | (1,210,262,324) |
| TOTAL NET POSITION | \$ (210,132,125) | \$ (221,577,503) | \$ (200,824,621) | \$ (178,754,764) | \$ (102,834,993) | \$ (14,683,880) |

* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF NET POSITION - WATER FUND
As of June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 162,766,427 | \$ 88,786,996 | 148,643,793 | \$ 310,085,221 | \$ 266,483,138 | \$ 155,712,891 |
| Restricted cash and cash equivalents | 65,677,030 | 39,304,453 | 68,564,311 | 51,097,342 | 60,753,268 | 53,028,844 |
| Restricted cash for the benefit of DWSD | 3,144,400 | 1,544,529 | 2,690,397 | 8,418,827 | 288,378 | 10,430 |
| Investments | 190,541,958 | 305,653,818 | 198,561,135 | 7,004,525 | 852,420 | 11,579,681 |
| Restricted investments | 2,932,400 | 30,900,352 | 1,468,148 | 1,234,954 | 1,169,187 | 27,818,000 |
| Receivables | | | | | | |
| Billed | 48,694,817 | 38,769,605 | 38,336,701 | 38,272,740 | 36,459,563 | 37,629,170 |
| Unbilled | 30,066,884 | 31,032,237 | 26,144,348 | 29,229,709 | 29,539,433 | 32,307,945 |
| Other | 85,494 | 214,997 | 916,074 | 5,850 | 1,300 | 21,899,046 |
| Allowance for doubtful accounts | (11,562,519) | (8,634,075) | (7,455,747) | (6,221,815) | (4,941,777) | (25,040,612) |
| Due from other governments | 11,889,748 | 20,343,238 | 30,063,571 | 23,588,754 | 21,327,713 | 41,486,157 |
| Due from other funds | 2,786,344 | 2,134,191 | 2,876,954 | 330,293 | - | - |
| Contractual obligation receivable | 16,558,716 | 15,620,163 | 14,328,368 | 13,560,086 | 12,076,942 | 6,851,584 |
| Prepaid items and other assets | 7,601,239 | 6,458,613 | 5,647,661 | 3,265,972 | 2,437,047 | 2,183,690 |
| Inventories | 794,521 | 636,621 | 386,612 | - | - | - |
| Total Current Assets | 531,977,459 | 572,765,738 | 531,172,326 | 479,872,458 | 426,446,612 | 365,466,826 |
| Noncurrent Assets | | | | | | |
| Restricted cash and cash equivalents | 2,519,127 | 20,491,397 | 32,154,262 | 18,261,706 | 177,939,494 | 5,460,942 |
| Restricted investments | 8,651,762 | 10,770,585 | 77,075,423 | 150,436,225 | 20,530,374 | 42,841,345 |
| Contractual obligation receivable | 552,093,376 | 554,942,283 | 468,481,719 | 477,039,443 | 483,604,380 | 466,317,666 |
| Prepaid lease | 11,250,000 | 11,250,000 | 11,250,000 | 11,250,000 | 11,250,000 | - |
| Assets not subject to depreciation | 498,010,970 | 418,996,654 | 467,830,218 | 434,684,895 | 452,185,674 | 415,558,090 |
| Capital assets being depreciated, net | 1,324,554,087 | 1,390,129,473 | 1,390,765,435 | 1,499,118,693 | 1,587,291,603 | 1,728,054,410 |
| Intangible asset - raw water rights, net | 94,219,373 | 97,786,037 | 101,352,701 | 104,919,365 | - | - |
| Prepaid insurance on debt | 7,304,243 | 7,958,703 | 8,754,897 | 13,002,376 | 14,112,324 | 20,831,496 |
| Total Noncurrent Assets | 2,498,602,938 | 2,512,325,132 | 2,557,664,655 | 2,708,712,703 | 2,746,913,849 | 2,679,063,949 |
| Total Assets | 3,030,580,397 | 3,085,090,870 | 3,088,836,981 | 3,188,585,161 | 3,173,360,461 | 3,044,530,775 |
| Deferred Outflows of Resources | | | | | | |
| Deferred charge on refunding | 44,677,823 | 47,358,590 | 82,508,971 | 94,431,823 | 99,294,499 | 116,511,949 |
| Deferred pension amounts | 22,112,642 | 15,292,494 | 11,369,496 | 18,645,719 | 21,491,506 | 13,620,562 |
| Total Deferred Outflows of Resources | 66,790,465 | 62,651,084 | 93,878,467 | 113,077,542 | 120,786,005 | 130,132,511 |

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts and contracts payable | \$ 53,039,330 | \$ 43,231,679 | 36,657,714 | \$ 33,754,534 | \$ 36,751,842 | \$ 49,474,527 |
| Accrued salaries, wages and benefits | 4,892,033 | 5,321,864 | 4,284,220 | 4,734,956 | 3,190,038 | 2,887,280 |
| Other accrued liabilities | 6,958,556 | 5,357,056 | 6,481,670 | 12,679,692 | 1,353,816 | 875,796 |
| Due to other governments | 15,693,993 | 18,282,254 | 15,963,934 | 11,935,868 | 25,393,813 | 13,668,890 |
| Due to other funds | 162,368 | - | 12,568 | 3,447,927 | - | 65,971 |
| Interest payable | 36,621,768 | 30,887,915 | 40,325,682 | 39,322,324 | 39,329,322 | 37,226,125 |
| Current portion of: | | | | | | |
| Revenue bonds and loans | 32,500,450 | 33,058,615 | 29,244,447 | 20,569,843 | 23,393,905 | 35,650,167 |
| Raw water rights obligation | 2,734,246 | 2,624,820 | 2,520,996 | 2,999,458 | - | - |
| Obligation payable | 194,242 | 184,992 | 176,183 | 167,794 | 159,803 | 152,193 |
| Regional system lease | 5,454,878 | 5,232,465 | 5,019,121 | 4,814,476 | 4,618,174 | 4,429,876 |
| Accrued compensated absences | 2,768,026 | 2,981,827 | 2,430,828 | 2,212,326 | 2,157,888 | 1,784,746 |
| Accrued workers' compensation | 255,817 | 176,834 | 217,480 | 228,239 | 25,000 | 395,788 |
| Claims and judgments | 100,000 | 2,172,500 | 2,290,000 | 2,195,000 | - | 4,494,694 |
| Total Current Liabilities | <u>161,375,707</u> | <u>149,512,821</u> | <u>145,624,843</u> | <u>139,062,437</u> | <u>136,373,601</u> | <u>151,106,053</u> |
| Noncurrent Liabilities | | | | | | |
| Revenue bonds and loans | 2,407,391,624 | 2,459,730,737 | 2,467,177,447 | 2,545,529,255 | 2,606,465,431 | 2,488,824,632 |
| Raw water rights obligation | 95,361,056 | 98,095,302 | 100,720,123 | 103,241,118 | - | - |
| Obligation payable | 16,542,293 | 16,736,534 | 16,921,526 | 17,097,709 | 17,265,503 | 17,425,306 |
| Regional system lease | 405,782,406 | 411,237,284 | 416,469,750 | 421,488,871 | 426,303,346 | 430,921,520 |
| Accrued compensated absences | 2,013,780 | 1,954,359 | 2,049,655 | 2,174,506 | 2,288,125 | 3,511,934 |
| Accrued workers' compensation | 75,000 | 75,000 | 75,000 | 75,000 | 225,000 | 3,562,536 |
| Claims and judgments | 50,000 | 50,000 | 50,000 | 50,000 | 75,000 | - |
| Other noncurrent liabilities | 2,000,000 | 2,761,256 | 2,804,949 | 2,634,471 | 2,582,076 | 2,710,092 |
| Net pension liability | 51,728,179 | 47,643,374 | 47,310,460 | 64,151,352 | 69,569,044 | 61,021,079 |
| Total Noncurrent Liabilities | <u>2,980,944,338</u> | <u>3,038,283,846</u> | <u>3,053,578,910</u> | <u>3,156,442,282</u> | <u>3,124,773,525</u> | <u>3,007,977,099</u> |
| Total Liabilities | <u>3,142,320,045</u> | <u>3,187,796,667</u> | <u>3,199,203,753</u> | <u>3,295,504,719</u> | <u>3,261,147,126</u> | <u>3,159,083,152</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred gain on refunding | 52,250,187 | 56,283,953 | 60,317,719 | 59,252,431 | 62,822,646 | - |
| Deferred amounts for swap terminations | 66,164 | 70,890 | 75,616 | 80,342 | 85,068 | 4,134,908 |
| Deferred pension amounts | - | - | - | 7,260,572 | 6,565,776 | 15,536,821 |
| Total Deferred Inflows of Resources | <u>52,316,351</u> | <u>56,354,843</u> | <u>60,393,335</u> | <u>66,593,345</u> | <u>69,473,490</u> | <u>19,671,729</u> |
| Net Position | | | | | | |
| Net investment in capital assets | (191,352,010) | (237,858,820) | (166,485,092) | 60,799,635 | 134,919,107 | 400,187,482 |
| Restricted for debt service | 23,688,943 | 19,479,656 | 29,731,576 | 23,239,368 | 26,194,280 | 69,797,836 |
| Restricted for capital acquisition | - | - | - | 140,732,216 | 172,974,994 | - |
| Restricted for payment assistance program | 4,614,294 | 3,754,368 | 3,369,875 | 2,462,214 | 2,218,373 | 977,278 |
| Unrestricted (deficit) | <u>65,783,239</u> | <u>118,215,240</u> | <u>56,502,001</u> | <u>(287,668,794)</u> | <u>(372,780,904)</u> | <u>(475,054,191)</u> |
| TOTAL NET POSITION | <u>\$ (97,265,534)</u> | <u>\$ (96,409,556)</u> | <u>\$ (76,881,640)</u> | <u>\$ (60,435,361)</u> | <u>\$ (36,474,150)</u> | <u>\$ (4,091,595)</u> |

* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF NET POSITION - SEWAGE DISPOSAL FUND

As of June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Assets | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | \$ 191,584,705 | \$ 119,569,724 | \$ 160,371,766 | \$ 199,056,556 | \$ 203,748,704 | \$ 156,022,295 |
| Restricted cash and cash equivalents | 85,509,014 | 26,060,277 | 95,931,528 | 54,832,050 | 72,213,813 | 81,181,424 |
| Restricted cash for the benefit of DWSD | 2,919,797 | - | 627,919 | - | - | 51,648 |
| Investments | 132,388,013 | 167,895,196 | 75,685,362 | 9,506,712 | 1,430,608 | 32,041,080 |
| Restricted investments | 28,758,582 | 87,066,562 | 33,384,445 | 31,790,386 | 31,371,834 | 28,843,000 |
| Receivables | | | | | | |
| Billed | 59,552,759 | 56,390,056 | 60,549,471 | 50,439,450 | 52,234,778 | 48,046,934 |
| Unbilled | 24,320,796 | 23,861,029 | 24,297,140 | 25,200,108 | 24,279,170 | 23,037,391 |
| Other | 489,412 | 95,376 | 221,452 | 3,723,036 | 3,157,050 | 92,748,989 |
| Allowance for doubtful accounts | (39,321,754) | (36,357,891) | (34,802,168) | (32,863,001) | (30,410,232) | (98,968,630) |
| Due from other governments | 1,351,111 | 11,459,398 | 179,585 | 24,339,106 | 29,461,328 | 66,202,143 |
| Due from other funds | 162,368 | - | 12,568 | 3,447,927 | - | 65,971 |
| Contractual obligation receivable | 14,637,184 | 14,041,327 | 12,089,779 | 11,253,800 | 11,262,300 | 5,077,675 |
| Loan receivable - DWSD | 8,296,578 | 18,206,431 | 17,542,669 | 9,367,355 | - | - |
| Prepaid items and other assets | 4,143,303 | 3,691,723 | 2,801,271 | 1,683,659 | 1,089,521 | 407,359 |
| Inventories | 7,000,631 | 6,370,587 | 5,445,981 | 8,471,626 | 8,509,454 | 9,984,063 |
| Total Current Assets | <u>521,792,499</u> | <u>498,349,795</u> | <u>454,338,768</u> | <u>400,248,770</u> | <u>408,348,328</u> | <u>444,741,342</u> |
| Noncurrent Assets | | | | | | |
| Restricted cash and cash equivalents | 2,876,374 | 27,014,187 | 62,030,778 | 30,001,353 | 128,378,837 | 155,488,780 |
| Restricted investments | 29,882,148 | 29,048,921 | 73,903,089 | 143,261,763 | 81,177,748 | 62,186,734 |
| Contractual obligation receivable | 384,718,443 | 399,355,626 | 414,766,953 | 335,574,500 | 346,828,300 | 366,254,075 |
| Loan receivable - DWSD | - | 8,296,578 | 26,503,010 | 19,932,645 | - | - |
| Prepaid lease | 13,750,000 | 13,750,000 | 13,750,000 | 13,750,000 | 13,750,000 | - |
| Assets not subject to depreciation | 315,474,451 | 300,868,836 | 318,574,902 | 271,362,100 | 278,286,118 | 295,876,258 |
| Capital assets being depreciated, net | 2,221,472,660 | 2,298,917,647 | 2,357,018,353 | 2,485,098,172 | 2,591,023,442 | 2,699,891,145 |
| Intangible assets, net | 4,433,681 | - | - | - | - | - |
| Prepaid insurance on debt | 11,053,199 | 12,030,061 | 13,880,254 | 16,931,255 | 18,581,897 | 27,822,085 |
| Total Noncurrent Assets | <u>2,983,660,956</u> | <u>3,089,281,856</u> | <u>3,280,427,339</u> | <u>3,315,911,788</u> | <u>3,458,026,342</u> | <u>3,607,519,077</u> |
| Total Assets | <u>3,505,453,455</u> | <u>3,587,631,651</u> | <u>3,734,766,107</u> | <u>3,716,160,558</u> | <u>3,866,374,670</u> | <u>4,052,260,419</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred charge on refunding | 118,709,227 | 127,077,205 | 159,370,167 | 186,544,140 | 198,351,942 | 212,147,508 |
| Deferred pension amounts | 39,574,610 | 27,368,710 | 20,347,789 | 33,369,917 | 38,462,972 | 24,376,481 |
| Total Deferred Outflows of Resources | <u>158,283,837</u> | <u>154,445,915</u> | <u>179,717,956</u> | <u>219,914,057</u> | <u>236,814,914</u> | <u>236,523,989</u> |

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Accounts and contracts payable | \$ 32,182,085 | \$ 30,838,950 | \$ 38,004,322 | \$ 34,077,602 | \$ 27,546,558 | \$ 36,152,087 |
| Accrued salaries, wages and benefits | 1,136,565 | - | - | - | - | - |
| Other accrued liabilities | 4,615,255 | - | 627,919 | - | 898,800 | 674,458 |
| Due to other governments | 3,750,000 | 1,750,000 | - | 47,539 | 35,848,573 | 24,225,013 |
| Due to other funds | 2,786,344 | 2,134,191 | 2,876,954 | 330,293 | - | - |
| Interest payable | 35,189,612 | 27,565,045 | 44,130,602 | 41,108,994 | 41,011,198 | 43,912,888 |
| Current portion of: | | | | | | |
| Revenue bonds and loans | 87,409,283 | 88,939,460 | 88,357,662 | 61,186,207 | 65,920,307 | 60,902,189 |
| Obligation payable | 436,911 | 416,105 | 396,291 | 377,419 | 359,448 | 342,331 |
| Regional system lease | 6,667,073 | 6,395,235 | 6,134,481 | 5,884,359 | 5,644,435 | 5,414,293 |
| Accrued compensated absences | 729,241 | 899,422 | 757,328 | 717,086 | 679,260 | 454,630 |
| Lease payable | 189,119 | - | - | - | - | 390,165 |
| Claims and judgments | 1,825,000 | 150,000 | 56,111 | 334,392 | 3,852,062 | 269,250 |
| Total Current Liabilities | <u>176,916,488</u> | <u>159,088,408</u> | <u>181,341,670</u> | <u>144,063,891</u> | <u>181,760,641</u> | <u>172,737,304</u> |
| Noncurrent Liabilities | | | | | | |
| Revenue bonds and loans | 2,912,505,035 | 3,015,182,999 | 3,163,394,353 | 3,168,566,028 | 3,236,016,730 | 3,387,291,190 |
| Obligation payable | 37,208,869 | 37,645,781 | 38,061,886 | 38,458,178 | 38,835,597 | 39,195,045 |
| Regional system lease | 495,956,275 | 502,623,348 | 509,018,588 | 515,153,064 | 521,037,424 | 526,681,859 |
| Lease right to use asset | 4,258,178 | - | - | - | - | - |
| Accrued compensated absences | 117,881 | - | - | - | - | - |
| Accrued workers' compensation | - | - | - | - | - | 4,390,938 |
| Claims and judgments | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 | 187,500 | 25,914,350 |
| Other noncurrent liabilities | 5,500,000 | 6,417,291 | 6,291,681 | 6,003,540 | 5,983,201 | 5,912,693 |
| Net pension liability | 92,577,019 | 85,266,515 | 84,670,705 | 114,810,555 | 124,506,503 | 109,208,359 |
| Total Noncurrent Liabilities | <u>3,555,623,257</u> | <u>3,654,635,934</u> | <u>3,808,937,213</u> | <u>3,850,491,365</u> | <u>3,926,566,955</u> | <u>4,098,594,434</u> |
| Total Liabilities | <u>3,732,539,745</u> | <u>3,813,724,342</u> | <u>3,990,278,883</u> | <u>3,994,555,256</u> | <u>4,108,327,596</u> | <u>4,271,331,738</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred gain on refunding | 44,046,097 | 47,525,546 | 47,982,938 | 46,654,836 | 49,257,784 | - |
| Deferred amounts for swap terminations | 18,041 | 35,625 | 165,223 | 189,808 | 214,393 | 238,978 |
| Deferred capital contribution | - | 5,960,000 | - | - | - | - |
| Deferred pension amounts | - | - | - | 12,994,118 | 11,750,654 | 27,805,977 |
| Total Deferred Inflows of Resources | <u>44,064,138</u> | <u>53,521,171</u> | <u>48,148,161</u> | <u>59,838,762</u> | <u>61,222,831</u> | <u>28,044,955</u> |
| Net Position | | | | | | |
| Net investment in capital assets | (110,660,463) | (113,359,960) | (62,382,494) | 289,946,091 | 393,956,399 | 451,547,037 |
| Restricted for debt service | 90,855,751 | 85,803,313 | 117,246,259 | 101,996,536 | 107,931,677 | 108,742,193 |
| Restricted for capital acquisition | - | - | - | 102,506,361 | 150,930,508 | 164,326,618 |
| Restricted for payment assistance program | 6,428,815 | 5,233,710 | 4,631,494 | 3,308,896 | 3,117,744 | - |
| Unrestricted (deficit) | (99,490,694) | (102,845,010) | (183,438,240) | (616,077,287) | (722,297,171) | (735,208,133) |
| TOTAL NET POSITION | <u>\$ (112,866,591)</u> | <u>\$ (125,167,947)</u> | <u>\$ (123,942,981)</u> | <u>\$ (118,319,403)</u> | <u>\$ (66,360,843)</u> | <u>\$ (10,592,285)</u> |

* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY
CHANGES IN NET POSITION - BUSINESS-TYPE ACTIVITIES

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016* |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|
| Operating Revenues | | | | | | |
| Wholesale customer charges | \$ 589,991,584 | \$ 578,705,063 | \$ 584,171,596 | \$ 592,096,175 | \$ 594,426,876 | \$ 281,883,522 |
| Local system charges | 209,885,200 | 207,102,800 | 201,340,700 | 194,099,800 | 202,794,400 | 102,660,400 |
| Industrial waste charges | 8,004,939 | 7,854,593 | 9,106,274 | 14,334,979 | 14,381,106 | 6,910,192 |
| Pollutant surcharges | 6,719,964 | 6,448,508 | 5,932,550 | 6,908,404 | 5,206,294 | 2,423,910 |
| Bad debt recovery | - | - | - | - | 40,172,155 | - |
| Other revenues | 766,943 | 778,257 | 527,663 | 4,455,345 | 576,195 | 4,252,477 |
| Total Operating Revenues | 815,368,630 | 800,889,221 | 801,078,783 | 811,894,703 | 857,557,026 | 398,130,501 |
| Operating Expenses | | | | | | |
| Personnel | 106,945,131 | 104,266,420 | 98,588,599 | 95,525,457 | 86,156,304 | 21,590,763 |
| Contractual services | 103,324,025 | 109,448,358 | 101,743,758 | 99,877,310 | 90,135,859 | 17,179,869 |
| Utilities | 52,749,654 | 51,152,735 | 51,395,385 | 53,694,380 | 55,661,469 | 25,037,499 |
| Chemicals | 13,982,136 | 14,241,843 | 13,275,860 | 12,877,813 | 14,765,181 | 6,451,484 |
| Supplies and other expenses | 31,097,071 | 35,427,273 | 37,120,915 | 34,526,388 | 20,162,690 | 17,903,355 |
| Capital adjustment | - | 26,780 | 2,258,351 | - | - | - |
| Capital program allocation | (3,191,809) | (3,347,401) | (3,380,755) | (1,683,450) | (2,128,078) | - |
| Intergovernmental reimbursements | (3,166,692) | (1,733,710) | (7,139,362) | (9,908,111) | (11,704,210) | - |
| Centralized services | - | - | - | - | - | 35,228,282 |
| Administrative services | - | - | - | - | - | 10,534,428 |
| Depreciation | 274,043,606 | 280,104,195 | 309,115,490 | 331,242,398 | 329,766,377 | 157,316,574 |
| Amortization of intangible assets | 3,676,590 | 3,566,664 | 3,566,664 | 2,080,554 | - | - |
| Total Operating Expenses | 579,459,712 | 593,153,157 | 606,544,905 | 618,232,739 | 582,815,592 | 291,242,254 |
| Operating Income | 235,908,918 | 207,736,064 | 194,533,878 | 193,661,964 | 274,741,434 | 106,888,247 |
| Nonoperating Revenues (Expenses) | | | | | | |
| Earnings on investments | 7,040,249 | 19,445,105 | 22,368,312 | 11,395,785 | 4,042,790 | 1,481,398 |
| Net increase (decrease) in fair value of investments | (5,780,625) | 5,971,601 | 4,149,490 | - | - | - |
| Interest on loan and obligations receivable | 43,722,511 | 42,434,884 | 41,777,702 | 38,856,520 | 42,332,428 | 21,062,500 |
| Interest expense | (263,485,014) | (288,947,856) | (296,597,333) | (300,395,306) | (291,592,097) | (148,447,442) |
| Amortization of debt related items and cost of issuance | 12,965,639 | 10,302,560 | 3,995,230 | 8,684,285 | (14,937,182) | 2,055,724 |
| Legacy pension expense | (22,527,961) | (20,143,505) | 16,778,381 | (24,922,162) | (7,021,006) | - |
| WRAP (Water Residential Assistance Program) | (1,517,453) | (3,315,117) | (2,024,119) | (3,755,534) | (2,127,333) | - |
| Other | (475,849) | 2,552,295 | 419,859 | (1,254,350) | 661,734 | - |
| Sewer lookback - MOU adjustment | - | - | (6,527,200) | - | - | - |
| Gain (loss) on disposal of capital assets | (365,037) | (1,316,886) | 81,284 | 2,463,478 | (250,826) | 275,693 |
| Loss on impairment of capital assets | - | (1,432,027) | (1,025,341) | (654,451) | (31,499) | - |
| Total Nonoperating Expenses | (230,423,540) | (234,448,946) | (216,603,735) | (269,581,735) | (268,922,991) | (123,572,127) |
| Income (loss) before contributions and special item | 5,485,378 | (26,712,882) | (22,069,857) | (75,919,771) | 5,818,443 | (16,683,880) |
| Capital Contributions | 5,960,000 | 5,960,000 | - | - | 320,707 | 2,000,000 |
| Special Item - MOU with DWSD | - | - | - | - | (94,290,263) | - |
| Change in net position | 11,445,378 | (20,752,882) | (22,069,857) | (75,919,771) | (88,151,113) | (14,683,880) |
| NET POSITION (DEFICIT), Beginning of Year | (221,577,503) | (200,824,621) | (178,754,764) | (102,834,993) | (14,683,880) | - |
| NET POSITION (DEFICIT), END OF YEAR | \$ (210,132,125) | \$ (221,577,503) | \$ (200,824,621) | \$ (178,754,764) | \$ (102,834,993) | \$ (14,683,880) |

* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY
CHANGES IN NET POSITION - WATER FUND

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016* |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| Operating Revenues | | | | | | |
| Wholesale customer charges | \$ 322,423,768 | \$ 312,701,777 | \$ 311,399,136 | \$ 323,117,344 | \$ 331,115,131 | \$ 160,777,169 |
| Local system charges | 21,925,500 | 21,295,500 | 20,181,400 | 15,130,600 | 15,490,300 | 6,833,500 |
| Bad debt recovery | - | - | - | - | 5,107,125 | - |
| Other revenues | 265,822 | 256,300 | 21,340 | 64,200 | 37,388 | 54,863 |
| Total Operating Revenues | <u>344,615,090</u> | <u>334,253,577</u> | <u>331,601,876</u> | <u>338,312,144</u> | <u>351,749,944</u> | <u>167,665,532</u> |
| Operating Expenses | | | | | | |
| Personnel | 43,889,495 | 43,946,225 | 42,085,546 | 41,845,295 | 38,261,393 | 8,301,022 |
| Contractual services | 40,410,811 | 46,097,405 | 43,083,078 | 35,794,549 | 34,257,419 | 3,304,113 |
| Utilities | 28,828,226 | 27,719,754 | 26,247,858 | 26,871,081 | 28,469,603 | 12,368,557 |
| Chemicals | 6,028,141 | 5,569,437 | 5,088,827 | 4,804,768 | 5,340,753 | 2,444,543 |
| Supplies and other expenses | 9,158,990 | 12,034,192 | 11,797,279 | 9,543,615 | 7,982,562 | 1,440,644 |
| Capital adjustment | - | 26,780 | - | - | - | - |
| Capital program allocation | (2,123,060) | (2,164,003) | (2,054,913) | (713,779) | (977,762) | - |
| Intergovernmental reimbursements | (2,554,511) | (696,952) | (6,425,729) | (9,615,146) | (11,603,019) | - |
| Centralized services | - | - | - | - | - | 18,494,851 |
| Administrative services | - | - | - | - | - | 3,191,929 |
| Depreciation | 123,271,541 | 127,183,228 | 140,571,120 | 143,991,815 | 144,137,912 | 71,295,545 |
| Amortization of intangible asset | 3,566,664 | 3,566,664 | 3,566,664 | 2,080,554 | - | - |
| Total Operating Expenses | <u>250,476,297</u> | <u>263,282,730</u> | <u>263,959,730</u> | <u>254,602,752</u> | <u>245,868,861</u> | <u>120,841,204</u> |
| Operating Income | <u>94,138,793</u> | <u>70,970,847</u> | <u>67,642,146</u> | <u>83,709,392</u> | <u>105,881,083</u> | <u>46,824,328</u> |
| Nonoperating Revenues (Expenses) | | | | | | |
| Earnings on investments | 4,215,105 | 10,485,467 | 12,348,295 | 6,129,530 | 1,832,918 | 392,031 |
| Net increase (decrease) in fair value of investments | (3,446,187) | 3,259,307 | 2,406,106 | - | - | - |
| Interest on loan and obligations receivable | 25,474,904 | 22,945,866 | 22,921,380 | 23,351,220 | 25,269,750 | 12,231,250 |
| Interest expense | (128,257,367) | (133,537,621) | (136,704,033) | (139,343,204) | (132,434,945) | (65,958,095) |
| Amortization of debt related items and cost of issuance | 15,988,278 | 14,258,569 | 10,771,937 | 13,837,585 | 2,403,018 | 2,418,891 |
| Legacy pension expense | (8,075,457) | (7,220,716) | 6,014,441 | (8,933,691) | (2,516,776) | - |
| WRAP (Water Residential Assistance Program) | (593,206) | (1,393,179) | (855,455) | (1,506,554) | (884,327) | - |
| Other | (176,909) | 2,186,331 | 114,136 | (544,813) | 1,117,704 | - |
| Gain (loss) on disposal of capital assets | (123,932) | (50,760) | (435,095) | (6,225) | (207,900) | - |
| Loss on impairment of capital assets | - | (1,432,027) | (670,137) | (654,451) | (31,499) | - |
| Total Nonoperating Expenses | <u>(94,994,771)</u> | <u>(90,498,763)</u> | <u>(84,088,425)</u> | <u>(107,670,603)</u> | <u>(105,452,057)</u> | <u>(50,915,923)</u> |
| Income (loss) before special item | <u>(855,978)</u> | <u>(19,527,916)</u> | <u>(16,446,279)</u> | <u>(23,961,211)</u> | <u>429,026</u> | <u>(4,091,595)</u> |
| Special Item - MOU with DWSD | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(32,811,581)</u> | <u>-</u> |
| Change in net position | <u>(855,978)</u> | <u>(19,527,916)</u> | <u>(16,446,279)</u> | <u>(23,961,211)</u> | <u>(32,382,555)</u> | <u>(4,091,595)</u> |
| NET POSITION (DEFICIT), Beginning of Year | <u>(96,409,556)</u> | <u>(76,881,640)</u> | <u>(60,435,361)</u> | <u>(36,474,150)</u> | <u>(4,091,595)</u> | <u>-</u> |
| NET POSITION (DEFICIT), END OF YEAR | <u>\$ (97,265,534)</u> | <u>\$ (96,409,556)</u> | <u>\$ (76,881,640)</u> | <u>\$ (60,435,361)</u> | <u>\$ (36,474,150)</u> | <u>\$ (4,091,595)</u> |

* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

CHANGES IN NET POSITION - SEWAGE DISPOSAL FUND

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016* |
|--|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|
| Operating Revenues | | | | | | |
| Wholesale customer charges | \$ 267,567,816 | \$ 266,003,286 | \$ 272,772,460 | \$ 268,978,831 | \$ 263,311,745 | \$ 121,106,353 |
| Local system charges | 187,959,700 | 185,807,300 | 181,159,300 | 178,969,200 | 187,304,100 | 95,826,900 |
| Industrial waste charges | 8,004,939 | 7,854,593 | 9,106,274 | 14,334,979 | 14,381,106 | 6,910,192 |
| Pollutant surcharges | 6,719,964 | 6,448,508 | 5,932,550 | 6,908,404 | 5,206,294 | 2,423,910 |
| Bad debt recovery | - | - | - | - | 35,065,030 | - |
| Other revenues | 501,121 | 521,957 | 506,323 | 4,391,145 | 538,807 | 4,197,614 |
| Total Operating Revenues | 470,753,540 | 466,635,644 | 469,476,907 | 473,582,559 | 505,807,082 | 230,464,969 |
| Operating Expenses | | | | | | |
| Personnel | 63,055,636 | 60,320,195 | 56,503,053 | 53,680,162 | 47,894,911 | 13,289,741 |
| Contractual services | 62,913,214 | 63,350,953 | 58,660,680 | 64,082,761 | 55,878,440 | 13,875,756 |
| Utilities | 23,921,428 | 23,432,981 | 25,147,527 | 26,823,299 | 27,191,866 | 12,668,942 |
| Chemicals | 7,953,995 | 8,672,406 | 8,187,033 | 8,073,045 | 9,424,428 | 4,006,941 |
| Supplies and other expenses | 21,938,081 | 23,393,081 | 25,323,636 | 24,982,773 | 12,180,128 | 16,462,711 |
| Capital adjustment | - | - | 2,258,351 | - | - | - |
| Capital program allocation | (1,068,749) | (1,183,398) | (1,325,842) | (969,671) | (1,150,316) | - |
| Intergovernmental reimbursements | (612,181) | (1,036,758) | (713,633) | (292,965) | (101,191) | - |
| Centralized services | - | - | - | - | - | 16,733,431 |
| Administrative services | - | - | - | - | - | 7,342,499 |
| Depreciation | 150,772,065 | 152,920,967 | 168,544,370 | 187,250,583 | 185,628,465 | 86,021,029 |
| Amortization of intangible assets | 109,926 | - | - | - | - | - |
| Total Operating Expenses | 328,983,415 | 329,870,427 | 342,585,175 | 363,629,987 | 336,946,731 | 170,401,050 |
| Operating Income | 141,770,125 | 136,765,217 | 126,891,732 | 109,952,572 | 168,860,351 | 60,063,919 |
| Nonoperating Revenues (Expenses) | | | | | | |
| Earnings on investments | 2,825,144 | 8,959,638 | 10,020,017 | 5,266,255 | 2,209,872 | 1,089,367 |
| Net increase (decrease) in fair value of investments | (2,334,438) | 2,712,294 | 1,743,384 | - | - | - |
| Interest on loan and obligations receivable | 18,247,607 | 19,489,018 | 18,856,322 | 15,505,300 | 17,062,678 | 8,831,250 |
| Interest expense | (135,227,647) | (155,410,235) | (159,893,300) | (161,052,102) | (159,157,152) | (82,489,347) |
| Amortization of debt related items and cost of issuance | (3,022,639) | (3,956,009) | (6,776,707) | (5,153,300) | (17,340,200) | (363,167) |
| Legacy pension expense | (14,452,504) | (12,922,789) | 10,763,940 | (15,988,471) | (4,504,230) | - |
| WRAP (Water Residential Assistance Program) | (924,247) | (1,921,938) | (1,168,664) | (2,248,980) | (1,243,006) | - |
| Other | (298,940) | 365,964 | 305,723 | (709,537) | (455,970) | - |
| Sewer lookback - MOU adjustment | - | - | (6,527,200) | - | - | - |
| Gain (loss) on disposal of capital assets | (241,105) | (1,266,126) | 516,379 | 2,469,703 | (42,926) | 275,693 |
| Loss on impairment of capital assets | - | - | (355,204) | - | - | - |
| Total Nonoperating Expenses | (135,428,769) | (143,950,183) | (132,515,310) | (161,911,132) | (163,470,934) | (72,656,204) |
| Income (loss) before contributions and special item | 6,341,356 | (7,184,966) | (5,623,578) | (51,958,560) | 5,389,417 | (12,592,285) |
| Capital Contributions | 5,960,000 | 5,960,000 | - | - | 320,707 | 2,000,000 |
| Special Item - MOU with DWSD | - | - | - | - | (61,478,682) | - |
| Change in net position | 12,301,356 | (1,224,966) | (5,623,578) | (51,958,560) | (55,768,558) | (10,592,285) |
| NET POSITION (DEFICIT), Beginning of Year | (125,167,947) | (123,943,981) | (118,319,403) | (66,360,843) | (10,592,285) | - |
| NET POSITION (DEFICIT), END OF YEAR | \$ (112,866,591) | \$ (125,168,947) | \$ (123,942,981) | \$ (118,319,403) | \$ (66,360,843) | \$ (10,592,285) |

* GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

CHARGE ADJUSTMENTS

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 [5] |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Water Fund | | | | | | | |
| Budgeted revenue requirement [1] | \$ 344,030,500 | \$ 341,642,000 | \$ 339,664,200 | \$ 331,400,500 | \$ 328,119,300 | \$ 331,213,200 | \$ 318,474,200 |
| Percent change in budgeted revenue requirement | 0.7% | 0.6% | 2.5% | 1.0% | -0.9% | 4.0% | 4.0% |
| Average annual charge adjustment [2] | | | | | | | |
| Total regional system | 1.5% | 3.2% | 0.6% | 1.8% | 1.8% | 4.5% | n/a [6] |
| Suburban wholesale | 1.9% | 3.1% | 0.3% | 0.2% | 2.0% | 3.4% | 11.3% |
| Local system charge [3] | -2.0% | 3.0% | 2.7% | 14.1% | -1.0% | 11.6% | n/a [6] |
| Number of wholesale water customers [4] | | | | | | | |
| | 87 | 87 | 87 | 87 | 87 | 88 | 85 |
| Sewage Disposal Fund | | | | | | | |
| Budgeted revenue requirement [1] | \$ 475,429,200 | \$ 486,751,300 | \$ 480,605,300 | \$ 470,156,000 | \$ 465,500,100 | \$ 464,078,500 | \$ 446,229,300 |
| Percent change in budgeted revenue requirement | -2.3% | 1.3% | 2.2% | 1.0% | 0.3% | 4.0% | 4.0% |
| Average annual charge adjustment [2] | | | | | | | |
| Total regional system | -0.6% | 2.0% | 0.8% | 0.1% | -0.7% | 8.3% | n/a [6] |
| Suburban wholesale | -0.1% | 1.7% | -0.1% | 1.3% | 1.8% | 4.9% | -1.1% |
| Local system charge [3] | -0.7% | 2.3% | 2.5% | 1.2% | -4.2% | 13.9% | n/a [6] |
| Number of wholesale sewer customers [4] | | | | | | | |
| | 18 | 18 | 18 | 18 | 18 | 18 | 21 |

[1] This is the revenue requirements in the original adopted budget for the fiscal year which is used in the calculation of charges. The revenue requirement represents the funding requirements which are defined in the Master Bond Ordinance.

[2] Average annual charge adjustment percentages is the required charge adjustment required when calculating revenue with the prior year existing charges, usage projections and any other specific individual contract requirements. For the sewage disposal system, this also includes the bad debt adjustment.

[3] Represents the annual change in the local system charges to the Detroit customer class before the annual credit of \$20.7 million for water and \$5.5 million for sewer. Does not include any lookback charges in the percentage increase/decrease calculation. Does not include any Detroit local system operating costs or charges included in the Detroit retail rate. Also does not include any impact of Detroit's use of the regional system lease payment to finance allocated debt service obligations.

[4] Does not include the City of Detroit. The water system includes one emergency basis contract.

[5] GLWA began operations on January 1, 2016. Amounts in this column are based on annual budget of Detroit Water and Sewage Department for FY 2016 which was the basis for the revenue requirement for the six months of operations of GLWA.

[6] Due to the establishment of the Authority and DWSD as separate entities during FY 2016, this information is not applicable.

GREAT LAKES WATER AUTHORITY

Schedule 4a

WATER FUND OPERATING REVENUES/ LARGEST WATER CUSTOMERS

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016* |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenues | | | | | | |
| Suburban wholesale charges [1] | \$ 322,423,768 | \$ 312,701,777 | \$ 311,399,136 | \$ 323,117,344 | \$ 331,115,131 | \$ 160,777,169 |
| Local system charges | 21,925,500 | 21,295,500 | 20,181,400 | 15,130,600 | 15,490,300 | 6,833,500 |
| Bad debt recovery | - | - | - | - | 5,107,125 | - |
| Other revenue | 265,822 | 256,300 | 21,340 | 64,200 | 37,388 | 54,863 |
| Total Operating Revenues | \$ 344,615,090 | \$ 334,253,577 | \$ 331,601,876 | \$ 338,312,144 | \$ 351,749,944 | \$ 167,665,532 |
| Suburban wholesale charges % of total operating revenue | 93.56% | 93.55% | 93.91% | 95.51% | 94.13% | 95.89% |
| Local system charges % of total operating revenue | 6.36% | 6.37% | 6.09% | 4.47% | 4.40% | 4.08% |
| Ten Largest Wholesale Customers | | | | | | |
| Southeast Oakland County Water Authority | \$ 23,722,602 | \$ 23,089,967 | \$ 23,311,743 | \$ 23,118,160 | \$ 22,434,129 | \$ 11,160,701 |
| North Oakland County Water Authority | 22,667,931 | 22,293,795 | 23,464,096 | 23,365,866 | 22,913,261 | 11,105,152 |
| Sterling Heights | 16,375,729 | 15,242,912 | 14,644,368 | 15,571,146 | 15,480,008 | 7,155,303 |
| Shelby Township | 15,690,553 | 14,482,451 | 13,719,053 | 13,554,398 | 13,462,808 | 6,114,243 |
| Troy | 14,324,990 | 13,607,770 | 13,700,093 | 13,842,135 | 13,939,815 | 6,058,667 |
| Macomb Township | 13,388,385 | 12,870,377 | 11,063,225 | 11,167,739 | 10,945,117 | - |
| Livonia | 11,806,151 | 11,553,730 | 14,001,058 | 13,669,376 | 13,483,657 | 6,223,290 |
| Flint [2] | 10,980,526 | 10,325,345 | 11,604,504 | 12,235,483 | 13,256,330 | 6,738,009 |
| West Bloomfield Township | 11,010,166 | - | 10,733,617 | - | - | - |
| Canton Township | 10,919,607 | 10,491,407 | - | 13,334,615 | 13,872,584 | 6,032,404 |
| Ypsilanti Community Utilities Authority | - | 10,450,861 | - | 11,038,134 | - | - |
| Genesee County Drain Commission [3] | - | - | - | - | 18,493,530 | 8,593,304 |
| Warren | - | - | 10,648,162 | - | - | - |
| Novi | - | - | - | - | - | 5,595,031 |
| Total Revenue Ten Largest Suburban Wholesale Member Partners | \$ 150,886,640 | \$ 144,408,615 | \$ 146,889,919 | \$ 150,897,052 | \$ 158,281,239 | \$ 74,776,104 |
| Ten largest suburban wholesale member partners % of total operating revenues | 43.78% | 43.20% | 44.30% | 44.60% | 45.00% | 44.60% |

[1] Net of bad debt expense.

[2] Represents billed revenues prior to the credit to Flint for its proportional share of KWA debt service.

[3] Genesee County Drain Commission changed service providers in December 2017 and has contracted GLWA for as needed emergency water service.

* GLWA began operations on January 1, 2016. The data for 2016 is for the six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

Schedule 4b

SEWAGE DISPOSAL FUND OPERATING REVENUES/ LARGEST SEWER CUSTOMERS

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016* |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Operating Revenues | | | | | | |
| Suburban wholesale charges [1] | \$ 267,567,816 | \$ 266,003,286 | \$ 272,772,460 | \$ 268,978,831 | \$ 263,311,745 | \$ 121,106,353 |
| Local system charges | 187,959,700 | 185,807,300 | 181,159,300 | 178,969,200 | 187,304,100 | 95,826,900 |
| Industrial waste and surcharges | 14,724,903 | 14,303,101 | 15,038,824 | 21,243,383 | 19,587,400 | 9,334,102 |
| Bad debt recovery | - | - | - | - | 35,065,030 | - |
| Other revenue | 501,121 | 521,957 | 506,323 | 4,391,145 | 538,807 | 4,197,614 |
| Total Operating Revenues | \$ 470,753,540 | \$ 466,635,644 | \$ 469,476,907 | \$ 473,582,559 | \$ 505,807,082 | \$ 230,464,969 |
| Suburban wholesale charges % of total operating revenue | 56.84% | 57.00% | 58.10% | 56.80% | 52.06% | 52.55% |
| Local system charges % of total operating revenue | 39.93% | 39.82% | 38.59% | 37.79% | 37.03% | 41.58% |
| Ten Largest Wholesale Customers | | | | | | |
| Oakland Macomb Interceptor Drainage District | \$ 70,355,029 | \$ 69,870,786 | \$ 77,533,200 | \$ 72,816,000 | \$ 69,627,600 | \$ 34,541,400 |
| Wayne County - Rouge Valley | 54,536,400 | 54,162,000 | 53,761,200 | 55,022,400 | 55,486,800 | 25,901,400 |
| Oakland County-George W Kuhn Drainage District | 45,558,000 | 45,264,000 | 44,972,400 | 45,751,200 | 45,682,800 | 21,410,400 |
| Evergreen Farmington | 35,084,400 | 34,839,600 | 34,578,000 | 33,733,200 | 32,179,200 | 15,094,200 |
| South Macomb Sanitation District | 25,000,800 | 24,837,600 | 24,672,000 | 24,637,200 | 24,120,000 | 11,501,400 |
| Dearborn | 19,628,400 | 19,502,400 | 19,372,800 | 19,628,400 | 19,603,200 | 8,049,000 |
| Highland Park | 5,708,400 | 5,670,000 | 5,614,800 | 5,642,400 | 5,818,800 | 2,808,600 |
| Hamtramck | 4,019,400 | 3,994,800 | 3,962,400 | 3,958,800 | 4,086,000 | 1,966,800 |
| Grosse Pointe Farms | 2,769,000 | 2,750,400 | 2,727,600 | 2,696,400 | 2,667,600 | 1,243,800 |
| Grosse Pointe Park | 1,824,000 | 1,812,000 | 1,801,200 | 1,740,000 | 1,626,000 | 746,400 |
| Total Revenue Ten Largest Suburban Wholesale Member Partners | \$ 264,483,829 | \$ 262,703,586 | \$ 268,995,600 | \$ 265,626,000 | \$ 260,898,000 | \$ 123,263,400 |
| Ten largest suburban wholesale member partners % of total operating revenues | 56.18% | 56.30% | 57.30% | 56.09% | 51.58% | 53.48% |

[1] Net of bad debt expense.

* GLWA began operations on January 1, 2016. The data for 2016 is for the six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF WHOLESALE WATER CHARGES* AND TOTAL REVENUE REQUIREMENT FOR THE DETROIT RETAIL CLASS

| Community Name | Fixed Monthly \$/mo | Commodity \$/Mcf | Community Name | Fixed Monthly \$/mo | Commodity \$/Mcf |
|-----------------------|---------------------|------------------|---|---------------------|------------------|
| Allen Park | \$ 122,400 | \$ 7.80 | Mayfield Township | \$ 2,500 | \$ 23.10 |
| Almont, Village of | 12,200 | 10.52 | Melvindale | 33,600 | 6.23 |
| Ash Township | 42,400 | 8.28 | New Haven, Village of | 20,500 | 6.74 |
| Belleville | 16,000 | 9.77 | North Oakland County Water Authority | 1,143,600 | 10.22 |
| Berlin Township | 37,400 | 11.41 | Northville, City | 46,100 | 11.72 |
| Brownstown Township | 187,400 | 10.82 | Northville Township | 290,100 | 16.95 |
| Bruce Township | 15,900 | 68.40 | Novi | 468,800 | 12.69 |
| Canton Township | 527,600 | 12.17 | Oak Park | 71,700 | 6.03 |
| Center Line | 23,900 | 6.23 | Oakland County Drain Commission | 4,300 | 3.29 |
| Chesterfield Township | 217,600 | 10.33 | Plymouth, City | 55,500 | 10.24 |
| Clinton Township | 390,100 | 7.79 | Plymouth Township | 229,900 | 11.31 |
| Commerce Township | 183,400 | 14.50 | Redford Township | 165,300 | 8.04 |
| Dearborn | 539,900 | 7.24 | River Rouge | 34,800 | 7.54 |
| Dearborn Heights | 189,200 | 7.70 | Riverview | 45,000 | 7.82 |
| Eastpointe | 80,600 | 6.15 | Rockwood | 14,400 | 11.56 |
| Ecorse | 78,800 | 4.31 | Romeo | 13,000 | 18.18 |
| Farmington | 52,300 | 9.24 | Romulus | 216,400 | 8.23 |
| Farmington Hills | 460,900 | 10.20 | Roseville | 138,700 | 5.91 |
| Ferndale | 52,300 | 6.19 | Royal Oak Township | 10,500 | 7.15 |
| Flat Rock | 70,500 | 9.18 | Shelby Township | 724,600 | 15.15 |
| Flint (1) | 572,300 | 8.76 | Southeastern Oakland County Water Authority | 1,192,900 | 7.58 |
| Fraser | 63,200 | 8.51 | South Rockwood | 6,000 | 9.92 |
| Garden City | 87,900 | 8.30 | Southgate | 114,600 | 7.90 |
| Gibraltar | 17,300 | 8.33 | St. Clair County-Burtchville Township | 16,800 | 18.67 |
| Grosse Ile Township | 57,300 | 11.65 | St. Clair County-Greenwood Energy Center | 24,000 | 12.83 |
| Grosse Pointe Park | 76,700 | 11.04 | St. Clair Shores | 158,300 | 6.68 |
| Grosse Pointe Shores | 33,900 | 13.60 | Sterling Heights | 785,000 | 10.99 |
| Grosse Pointe Woods | 73,700 | 9.13 | Sumpter Township | 34,500 | 9.64 |
| Hamtramck | 40,900 | 5.39 | Sylvan Lake | 12,100 | 15.11 |
| Harper Woods | 42,500 | 6.76 | Taylor | 241,400 | 7.24 |
| Harrison Township | 79,100 | 6.82 | Trenton | 86,700 | 8.10 |
| Hazel Park | 38,200 | 5.98 | Troy | 700,800 | 12.14 |
| Highland Park | 60,300 | 4.61 | Utica | 29,800 | 9.34 |
| Huron Township | 76,000 | 10.09 | Van Buren Township | 177,200 | 11.14 |
| Imlay City | 74,600 | 13.52 | Walled Lake | 41,700 | 10.64 |
| Imlay Township | 800 | 39.44 | Warren | 530,000 | 6.89 |
| Inkster | 63,800 | 5.45 | Washington Township | 116,900 | 12.49 |
| Keego Harbor | 15,500 | 12.35 | Wayne | 159,500 | 13.38 |
| Lapeer | 80,300 | 11.84 | West Bloomfield Township | 538,000 | 16.29 |
| Lenox Township | 15,300 | 8.21 | Westland | 321,700 | 7.80 |
| Lincoln Park | 115,900 | 6.12 | Wixom | 127,600 | 13.73 |
| Livonia | 594,800 | 9.92 | Woodhaven | 86,700 | 11.91 |
| Macomb Township | 653,000 | 16.03 | Ypsilanti Community Utilities Authority | 540,900 | 8.76 |
| Madison Heights | 99,400 | 6.82 | | | |

Annual Detroit Wholesale Revenue Requirement \$21,925,500 - Effective January 1, 2021

* Wholesale charges went into effect January 1, 2021 per GLWA Board of Director's action taken at their regular meeting held September 23, 2020

(1) Net fixed monthly charge will include \$554,400 monthly credits for KWA debt service

GREAT LAKES WATER AUTHORITY

SCHEDULE OF WHOLESALE SEWER CHARGES*
AND TOTAL REVENUE REQUIREMENT FOR THE DETROIT RETAIL CLASS

| <u>Wholesale Sewage Charges</u> | <u>Monthly Charge</u> |
|--|-----------------------|
| Oakland Macomb Interceptor District (OMID) | \$ 6,400,000 |
| Rouge Valley | 4,575,900 |
| Oakland County - George W. Kuhn (GWK) | 3,821,000 |
| Evergreen Farmington | 2,944,100 |
| SE Macomb Sanitary District | 2,097,000 |
| Dearborn | 1,646,200 |
| Grosse Pointe Farms | 232,300 |
| Grosse Pointe Park | 153,000 |
| Melvindale | 129,600 |
| Farmington | 97,200 |
| Center Line | 87,300 |
| Allen Park | 72,200 |
| Highland Park | 478,900 |
| Hamtramck | 337,000 |
| Grosse Pointe | 75,400 |
| Harper Woods | 18,500 |
| Redford Township | 22,300 |
| Wayne County #3 | 4,300 |

Annual Detroit Wholesale Revenue Requirement \$187,959,700 - Effective January 1, 2021

* Wholesale charges went into effect January 1, 2021

GREAT LAKES WATER AUTHORITY

**INDUSTRIAL WASTE CONTROL CHARGES AND POLLUTANT SURCHARGES
EFFECTIVE JANUARY 1, 2021**

| Industrial Waste Control Charges | Admin Only | Monthly Charge |
|---|-------------------|-----------------------|
| Meter size - inches: | Charge (1) | (2) |
| 5/8 | \$ 0.86 | \$ 3.45 |
| 3/4 | \$ 1.30 | \$ 5.18 |
| 1 | \$ 2.16 | \$ 8.63 |
| 1 1/2 | \$ 4.75 | \$ 18.98 |
| 2 | \$ 6.90 | \$ 27.60 |
| 3 | \$ 12.51 | \$ 50.03 |
| 4 | \$ 17.25 | \$ 69.00 |
| 6 | \$ 25.88 | \$ 103.50 |
| 8 | \$ 43.13 | \$ 172.50 |
| 10 | \$ 60.38 | \$ 241.50 |
| 12 | \$ 69.00 | \$ 276.00 |
| 14 | \$ 86.25 | \$ 345.00 |
| 16 | \$ 103.50 | \$ 414.00 |
| 18 | \$ 120.75 | \$ 483.00 |
| 20 | \$ 138.00 | \$ 552.00 |
| 24 | \$ 155.25 | \$ 621.00 |
| 30 | \$ 172.50 | \$ 690.00 |
| 36 | \$ 189.75 | \$ 759.00 |
| 48 | \$ 207.00 | \$ 828.00 |

- (1) Administration only charge is applicable to member partners that are within a geographical area defined in a specific agreement.
- (2) Includes both administration and field work components charges for all other member partn

| Pollutant Surcharges | Charge per |
|--|-------------------|
| | Pound |
| Biochemical Oxygen Demand (BOD) for concentrations > 275 mg/l | \$ 0.502 |
| Total Suspended Solids (TSS) for concentrations > 350 mg/l | \$ 0.510 |
| Phosphorus (P) for concentrations > 12 mg/l | \$ 7.519 |
| Fats, Oil and Grease (FOG) for concentrations > 100 mg/l | \$ 0.484 |
| Septage Disposal Fee per 500 gallons of disposal | \$ 48.00 |

GREAT LAKES WATER AUTHORITY

RATIOS OF OUTSTANDING DEBT BY TYPE

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Water Fund | | | | | | |
| Revenue bonds [1] | \$ 2,368,632,473 | \$ 2,453,471,088 | \$ 2,466,561,092 | \$ 2,540,663,196 | \$ 2,612,607,101 | \$ 2,507,091,038 |
| State revolving loans | 71,259,601 | 39,318,264 | 29,860,802 | 25,435,902 | 17,252,235 | 17,383,761 |
| Total Water Fund | \$ 2,439,892,074 | \$ 2,492,789,352 | \$ 2,496,421,894 | \$ 2,566,099,098 | \$ 2,629,859,336 | \$ 2,524,474,799 |
| Sewage Disposal Fund | | | | | | |
| Revenue bonds [1] | \$ 2,577,642,399 | \$ 2,643,788,368 | \$ 2,764,196,915 | \$ 2,739,090,653 | \$ 2,797,168,264 | \$ 2,922,089,599 |
| Capital appreciation bonds [1] | 5,504,069 | 10,667,560 | 13,377,972 | 14,984,042 | 19,501,737 | 19,668,138 |
| State revolving loans | 416,767,850 | 449,666,531 | 474,177,128 | 475,677,540 | 485,267,036 | 506,435,742 |
| Total Sewage Disposal Fund | \$ 2,999,914,318 | \$ 3,104,122,459 | \$ 3,251,752,015 | \$ 3,229,752,235 | \$ 3,301,937,037 | \$ 3,448,193,479 |
| Business-type Activities | | | | | | |
| Revenue bonds [1] | \$ 4,946,274,872 | \$ 5,097,259,456 | \$ 5,230,758,007 | \$ 5,279,753,849 | \$ 5,409,775,365 | \$ 5,429,180,637 |
| Capital appreciation bonds [1] | 5,504,069 | 10,667,560 | 13,377,972 | 14,984,042 | 19,501,737 | 19,668,138 |
| State revolving loans | 488,027,451 | 488,984,795 | 504,037,930 | 501,113,442 | 502,519,271 | 523,819,503 |
| Total Business-type Activities Debt | \$ 5,439,806,392 | \$ 5,596,911,811 | \$ 5,748,173,909 | \$ 5,795,851,333 | \$ 5,931,796,373 | \$ 5,972,668,278 |
| Total taxable value * | n/a | n/a | n/a | n/a | n/a | n/a |
| Total population served [2]: | | | | | | |
| Water | 3,800,000 | 3,800,000 | 3,800,000 | 3,800,000 | 3,800,000 | 3,800,000 |
| Sewage disposal | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 | 2,800,000 |
| Total debt per capita: | | | | | | |
| Water | \$ 642 | \$ 656 | \$ 657 | \$ 675 | \$ 692 | \$ 664 |
| Sewage disposal | \$ 1,071 | \$ 1,109 | \$ 1,161 | \$ 1,153 | \$ 1,179 | \$ 1,231 |
| Per capita income [3] | \$ 53,316 | \$ 50,069 | \$ 54,172 | \$ 52,572 | \$ 50,863 | \$ 48,692 |
| Total debt as a percentage of income: | | | | | | |
| Water | 1.20% | 1.31% | 1.21% | 1.28% | 1.36% | 1.36% |
| Sewage disposal | 2.01% | 2.21% | 2.14% | 2.19% | 2.32% | 2.53% |

[1] Amounts are reported net of premiums and discounts.

[2] Source: Estimated based on data from Southeast Michigan Council of Governments (SEMCOG).

[3] Source: FRED Economic Data, St. Louis Fed and Michigan State University Center for Economic Analysis.

* GLWA is not authorized to levy property taxes; therefore, presentation of taxable values and the ratio of total debt to taxable value is not applicable.

Further details regarding the Authority's debt can be found in the notes to the financial statements.

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

DEBT BY LIEN
As of June 30, 2021Continued on
Next Page

| | Original Principal Amount [1] | Outstanding as of June 30, 2021 | Total Future Debt [2] |
|---|----------------------------------|------------------------------------|--------------------------|
| Water Supply System Revenue Bonds | | | |
| Senior Lien Bonds | | | |
| Water Supply System Revenue Senior Lien Bonds, Series 2003A | \$ 234,805,000 | \$ 100,000 | \$ 100,000 |
| Water Supply System Revenue Senior Lien Bonds, Series 2005B | 194,900,000 | 100,000 | 100,000 |
| Water Supply System Revenue Senior Lien Bonds, Series 2006A | 280,000,000 | 100,000 | 100,000 |
| Water Supply System Revenue Senior Lien Bonds, Series 2011B | 17,195,000 | 575,000 | 575,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2011C | 103,890,000 | 1,020,000 | 1,020,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-1 | 206,540,000 | 112,450,000 | 112,450,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-2 | 188,455,000 | 188,455,000 | 188,455,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-4 | 307,645,000 | 209,360,000 | 209,360,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2015D-1 | 89,430,000 | 75,200,000 | 75,200,000 |
| Water Supply System Revenue Senior Lien Bonds, Series 2016A | 88,000,000 | 88,000,000 | 88,000,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2016C | 443,930,000 | 443,930,000 | 443,930,000 |
| Water Supply System Revenue Senior Lien Bonds, Series 2020A | 42,445,000 | 42,445,000 | 42,445,000 |
| Water Supply System Revenue Refunding Senior Lien Bonds, Series 2020C | 377,515,000 | 377,515,000 | 377,515,000 |
| | <u>2,574,750,000</u> | <u>1,539,250,000</u> | <u>1,539,250,000</u> |
| Second Lien Bonds | | | |
| Water Supply System Revenue Second Lien Bonds, Series 2003B | 172,945,000 | 100,000 | 100,000 |
| Water Supply System Revenue Second Lien Bonds, Series 2006B | 120,000,000 | 100,000 | 100,000 |
| Water Supply System Revenue Refunding Second Lien Bonds, Series 2014D-6 | 65,425,000 | 51,570,000 | 51,570,000 |
| Water Supply System Revenue Refunding Second Lien Bonds, Series 2015D-2 | 37,235,000 | 37,235,000 | 37,235,000 |
| Water Supply System Revenue Second Lien Bonds, Series 2016B | 163,830,000 | 163,830,000 | 163,830,000 |
| Water Supply System Revenue Refunding Second Lien Bonds, Series 2016D | 222,045,000 | 222,045,000 | 222,045,000 |
| Water Supply System Revenue Refunding Second Lien Bonds, Series 2018A | 155,595,000 | 135,245,000 | 135,245,000 |
| Water Supply System Revenue Second Lien Bonds, Series 2020B | 43,135,000 | 43,135,000 | 43,135,000 |
| | <u>980,210,000</u> | <u>653,260,000</u> | <u>653,260,000</u> |
| SRF Junior Lien Bonds | | | |
| Water Supply System Revenue Bonds, Series 2005 SRF-1 | 13,805,164 | 4,605,164 | 4,605,164 |
| Water Supply System Revenue Bonds, Series 2005 SRF-2 | 8,891,730 | 2,906,730 | 2,906,730 |
| Water Supply System Revenue Bonds, Series 2006 SRF-1 | 5,180,926 | 1,715,926 | 1,715,926 |
| Water Supply System Revenue Bonds, Series 2008 SRF-1 | 2,590,941 | 845,941 | 845,941 |
| Water Supply System Revenue Bonds, Series 2016 SRF-1 | 8,273,168 | 7,663,168 | 7,663,168 |
| Water Supply System Revenue Bonds, Series 2016 SRF-2 | 3,393,543 | 3,138,543 | 3,138,543 |
| Water Supply System Revenue Bonds, Series 2017 SRF-1 | 5,807,931 | 5,502,931 | 5,502,931 |
| Water Supply System Revenue Bonds, Series 2019 SRF-1 | 8,330,000 | 7,764,051 | 8,330,000 |
| Water Supply System Revenue Bonds, Series 2019 SRF-2 | 29,950,000 | 15,778,733 | 29,950,000 |
| Water Supply System Revenue Bonds, Series 2019 SRF-3 | 11,788,056 | 7,683,723 | 11,788,056 |
| Water Supply System Revenue Bonds, Series 2020 SRF-1 | 20,538,700 | 7,718,196 | 20,538,700 |
| Water Supply System Revenue Bonds, Series 2020 SRF-2 | 9,000,000 | 567,665 | 9,000,000 |
| Water Supply System Revenue Bonds, Series 2020 SRF-3 | 8,960,000 | 5,368,830 | 8,960,000 |
| Water Supply System Revenue Bonds, Series 2020 SRF-4 | 12,153,050 | - | 12,153,050 |
| Water Supply System Revenue Bonds, Series 2021 SRF-1 | 11,940,000 | - | 11,940,000 |
| | <u>160,603,209</u> | <u>71,259,601</u> | <u>139,038,209</u> |
| TOTAL WATER SUPPLY SYSTEM REVENUE BONDS | <u>\$ 3,715,563,209</u> | <u>\$ 2,263,769,601</u> | <u>\$ 2,331,548,209</u> |

GREAT LAKES WATER AUTHORITY

DEBT BY LIEN
As of June 30, 2021

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| | Original Principal Amount [1] | Outstanding as of June 30, 2021 | Total Future Debt [2] |
|--|----------------------------------|------------------------------------|--------------------------|
| Sewage Disposal System Revenue Bonds | | | |
| Senior Lien Bonds | | | |
| Sewage Disposal System Revenue Bonds (Senior), Series 1999 SRF-2 | \$ 46,000,000 | \$ 5,700,000 | \$ 5,700,000 |
| Sewage Disposal System Revenue Bonds (Senior), Series 1999A | 33,510,118 | 5,675,000 | 5,675,000 |
| Sewage Disposal System Senior Lien Revenue Bonds, Series 2003B | 150,000,000 | 100,000 | 100,000 |
| Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2004A | 101,435,000 | 14,050,000 | 14,050,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2006D | 370,000,000 | 239,475,000 | 239,475,000 |
| Sewage Disposal System Revenue & Revenue Refunding Senior Lien Bonds, Series 2012A | 659,780,000 | 41,525,000 | 41,525,000 |
| Sewage Disposal System Revenue Senior Lien Bonds, Series 2014C-1 | 123,220,000 | 5,000 | 5,000 |
| Sewage Disposal System Revenue Senior Lien Bonds, Series 2014C-2 | 27,470,000 | 5,000 | 5,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014C-3 | 446,170,000 | 420,745,000 | 420,745,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014C-6 | 143,880,000 | 88,900,000 | 88,900,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2016B | 126,105,000 | 126,105,000 | 126,105,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2018A | 81,595,000 | 80,225,000 | 80,225,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2018B | 131,690,000 | 131,690,000 | 131,690,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2018C | 44,180,000 | 41,305,000 | 41,305,000 |
| Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2020A | 594,930,000 | 594,930,000 | 594,930,000 |
| | <u>3,079,965,118</u> | <u>1,790,435,000</u> | <u>1,790,435,000</u> |
| Second Lien Bonds | | | |
| Sewage Disposal System Second Lien Revenue Bonds, Series 2001B | 110,550,000 | 78,895,000 | 78,895,000 |
| Sewage Disposal System Revenue Second Lien Bonds, Series 2005A | 273,355,000 | 100,000 | 100,000 |
| Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005B | 40,215,000 | 17,115,000 | 17,115,000 |
| Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005C | 63,160,000 | 100,000 | 100,000 |
| Sewage Disposal System Revenue Second Lien Bonds, Series 2006B | 250,000,000 | 100,000 | 100,000 |
| Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014C-7 | 76,715,000 | 55,210,000 | 55,210,000 |
| Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2015C | 197,660,000 | 197,160,000 | 197,160,000 |
| Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2016C | 295,190,000 | 295,190,000 | 295,190,000 |
| Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2020B | 92,525,000 | 92,525,000 | 92,525,000 |
| | <u>1,399,370,000</u> | <u>736,395,000</u> | <u>736,395,000</u> |

GREAT LAKES WATER AUTHORITY

DEBT BY LIEN
As of June 30, 2021

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Previous Page

| | Original Principal Amount [1] | Outstanding as of June 30, 2021 | Total Future Debt [2] |
|---|----------------------------------|------------------------------------|--------------------------|
| Sewage Disposal System Revenue Bonds (concluded) | | | |
| SRF Junior Lien Bonds | | | |
| Sewage Disposal System Revenue Bonds, Series 2000 SRF-1 | \$ 44,197,995 | \$ 5,297,995 | \$ 5,297,995 |
| Sewage Disposal System Revenue Bonds, Series 2000 SRF-2 | 64,401,066 | 7,941,066 | 7,941,066 |
| Sewage Disposal System Revenue Bonds, Series 2001 SRF-1 | 82,200,000 | 19,880,000 | 19,880,000 |
| Sewage Disposal System Revenue Bonds, Series 2001 SRF-2 | 59,850,000 | 14,475,000 | 14,475,000 |
| Sewage Disposal System Revenue Bonds, Series 2002 SRF-1 | 18,985,000 | 2,350,000 | 2,350,000 |
| Sewage Disposal System Revenue Bonds, Series 2002 SRF-2 | 1,545,369 | 190,369 | 190,369 |
| Sewage Disposal System Revenue Bonds, Series 2002 SRF-3 | 31,549,466 | 7,024,466 | 7,024,466 |
| Sewage Disposal System Revenue Bonds, Series 2003 SRF-1 | 48,520,000 | 14,490,000 | 14,490,000 |
| Sewage Disposal System Revenue Bonds, Series 2003 SRF-2 | 25,055,370 | 6,015,370 | 6,015,370 |
| Sewage Disposal System Revenue Bonds, Series 2004 SRF-1 | 2,910,000 | 685,000 | 685,000 |
| Sewage Disposal System Revenue Bonds, Series 2004 SRF-2 | 18,353,459 | 4,303,459 | 4,303,459 |
| Sewage Disposal System Revenue Bonds, Series 2004 SRF-3 | 12,722,575 | 2,972,575 | 2,972,575 |
| Sewage Disposal System Revenue Bonds, Series 2007 SRF-1 | 167,540,598 | 82,115,598 | 82,115,598 |
| Sewage Disposal System Revenue Bonds, Series 2009 SRF-1 | 13,970,062 | 6,915,062 | 6,915,062 |
| Sewage Disposal System Revenue Bonds, Series 2010 SRF-1 | 4,214,763 | 2,325,763 | 2,325,763 |
| Sewage Disposal System Revenue Bonds, Series 2012 SRF-1 | 14,950,000 | 11,215,000 | 11,215,000 |
| Sewage Disposal System Revenue Bonds, Series 2015A SRF | 79,500,000 | 63,145,000 | 63,145,000 |
| Sewage Disposal System Revenue Bonds, Series 2015B SRF | 27,175,304 | 21,185,304 | 21,185,304 |
| Sewage Disposal System Revenue Bonds, Series 2015D SRF | 15,321,478 | 11,716,478 | 11,716,478 |
| Sewage Disposal System Revenue Bonds, Series 2016 SAW-1 | 10,000,000 | 9,210,000 | 9,210,000 |
| Sewage Disposal System Revenue Bonds, Series 2016 SRF-1 | 15,463,628 | 13,333,628 | 13,333,628 |
| Sewage Disposal System Revenue Bonds, Series 2016 SRF-2 | 48,315,683 | 44,245,683 | 44,245,683 |
| Sewage Disposal System Revenue Bonds, Series 2017 SRF-1 | 33,566,682 | 31,246,682 | 31,246,682 |
| Sewage Disposal System Revenue Bonds, Series 2018 SRF-2 | 17,510,000 | 17,510,000 | 17,510,000 |
| Sewage Disposal System Revenue Bonds, Series 2020 SRF-1 | 28,350,000 | 9,728,280 | 28,350,000 |
| Sewage Disposal System Revenue Bonds, Series 2020 SRF-2 | 3,232,000 | - | 3,232,000 |
| Sewage Disposal System Revenue Bonds, Series 2021 SRF-1 | 12,940,000 | 1,550,072 | 12,940,000 |
| | <u>902,340,498</u> | <u>411,067,850</u> | <u>444,311,498</u> |
| TOTAL SEWAGE DISPOSAL SYSTEM REVENUE BONDS | <u>\$ 5,381,675,616</u> | <u>\$ 2,937,897,850</u> | <u>\$ 2,971,141,498</u> |

[1] Reflects original amount issued by predecessor entity, DWSD, for bonds issued prior to January 1, 2016.

[2] Includes the full purchase contract amounts not drawn by June 30, 2021 from State Revolving Funds. Final amounts will be determined after project close-out.

GREAT LAKES WATER AUTHORITY

SCHEDULE OF DEBT SERVICE REQUIREMENTS
As of June 30, 2021

Continued on
Next Page

| Fiscal Year Ending [1] | Senior Lien Bonds (in \$1,000s) | | | Second Lien Bonds (in \$1,000s) | | | Junior Lien Bonds (in \$1,000s) | | | Total (in \$1,000s) | | |
|---------------------------------|---------------------------------|-------------------|-----------------------|---------------------------------|-------------------|-----------------------|---------------------------------|------------------|-----------------------|---|---|---------------------|
| | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | Total Debt Service as of June 30, 2021 | Additional Future Junior Lien Debt Service Total Future Debt Service | |
| | | | | | | | | | | | [3] | |
| Water Fund | | | | | | | | | | | | |
| 2022 [2] | \$ 1,600 | \$ 55,823 | \$ 57,423 | \$ 12,790 | \$ 29,435 | \$ 42,225 | \$ 2,998 | \$ 1,485 | \$ 4,483 | \$ 104,131 | \$ 1,316 | \$ 105,447 |
| 2023 | 53,890 | 69,103 | 122,993 | 15,505 | 30,948 | 46,453 | 4,794 | 1,432 | 6,226 | 175,672 | 1,644 | 177,316 |
| 2024 | 60,290 | 66,341 | 126,631 | 16,640 | 30,144 | 46,784 | 5,260 | 1,328 | 6,588 | 180,003 | 1,640 | 181,643 |
| 2025 | 64,210 | 63,477 | 127,687 | 18,380 | 29,269 | 47,649 | 5,193 | 1,219 | 6,412 | 181,748 | 2,304 | 184,052 |
| 2026 | 67,040 | 60,553 | 127,593 | 19,300 | 28,326 | 47,626 | 5,100 | 1,112 | 6,212 | 181,431 | 2,511 | 183,942 |
| 2027 | 70,060 | 57,313 | 127,373 | 20,265 | 27,336 | 47,601 | 5,203 | 1,005 | 6,208 | 181,182 | 2,507 | 183,689 |
| 2028 | 73,525 | 53,954 | 127,479 | 21,280 | 26,299 | 47,579 | 3,660 | 912 | 4,572 | 179,630 | 2,508 | 182,138 |
| 2029 | 76,770 | 50,472 | 127,242 | 22,345 | 25,208 | 47,553 | 3,746 | 836 | 4,582 | 179,377 | 2,513 | 181,890 |
| 2030 | 80,490 | 46,668 | 127,158 | 23,460 | 24,063 | 47,523 | 3,685 | 759 | 4,444 | 179,125 | 2,508 | 181,633 |
| 2031 | 84,380 | 42,659 | 127,039 | 27,440 | 22,791 | 50,231 | 3,770 | 683 | 4,453 | 181,723 | 2,508 | 184,231 |
| 2032 | 88,510 | 38,439 | 126,949 | 28,810 | 21,384 | 50,194 | 3,845 | 604 | 4,449 | 181,592 | 2,511 | 184,103 |
| 2033 | 92,825 | 34,004 | 126,829 | 30,255 | 20,051 | 50,306 | 3,935 | 524 | 4,459 | 181,594 | 2,515 | 184,109 |
| 2034 | 86,695 | 29,565 | 116,260 | 42,150 | 18,585 | 60,735 | 3,208 | 443 | 3,651 | 180,646 | 3,310 | 183,956 |
| 2035 | 94,960 | 25,043 | 120,003 | 39,930 | 16,735 | 56,665 | 2,050 | 376 | 2,426 | 179,094 | 4,539 | 183,633 |
| 2036 | 107,100 | 20,010 | 127,110 | 2,650 | 15,671 | 18,321 | 1,729 | 331 | 2,060 | 147,491 | 4,890 | 152,381 |
| 2037 | 15,790 | 17,046 | 32,836 | 120,120 | 12,600 | 132,720 | 1,460 | 294 | 1,754 | 167,310 | 5,187 | 172,497 |
| 2038 | 55,135 | 15,607 | 70,742 | 1,600 | 9,557 | 11,157 | 1,495 | 261 | 1,756 | 83,655 | 5,197 | 88,852 |
| 2039 | 61,740 | 13,368 | 75,108 | 1,675 | 9,475 | 11,150 | 1,525 | 228 | 1,753 | 88,011 | 5,190 | 93,201 |
| 2040 | 63,910 | 11,160 | 75,070 | 1,760 | 9,389 | 11,149 | 1,494 | 195 | 1,689 | 87,908 | 5,262 | 93,170 |
| 2041 | 66,160 | 8,874 | 75,034 | 1,845 | 9,299 | 11,144 | 1,090 | 166 | 1,256 | 87,434 | 5,695 | 93,129 |
| 2042 | 67,190 | 6,530 | 73,720 | 1,940 | 9,205 | 11,145 | 1,115 | 140 | 1,255 | 86,120 | 4,638 | 90,758 |
| 2043 | 17,905 | 4,901 | 22,806 | 31,660 | 8,365 | 40,025 | 896 | 117 | 1,013 | 63,844 | 3,042 | 66,886 |
| 2044 | 18,805 | 3,984 | 22,789 | 33,245 | 6,742 | 39,987 | 720 | 97 | 817 | 63,593 | 2,703 | 66,296 |
| 2045 | 19,740 | 3,020 | 22,760 | 34,910 | 5,038 | 39,948 | 730 | 79 | 809 | 63,517 | 1,987 | 65,504 |
| 2046 | 20,725 | 2,008 | 22,733 | 36,650 | 3,249 | 39,899 | 755 | 61 | 816 | 63,448 | 1,988 | 65,436 |
| 2047 | 21,765 | 946 | 22,711 | 38,485 | 1,371 | 39,856 | 769 | 42 | 811 | 63,378 | 1,983 | 65,361 |
| 2048 | 2,550 | 339 | 2,889 | 2,590 | 344 | 2,934 | 787 | 23 | 810 | 6,633 | 1,978 | 8,611 |
| 2049 | 2,680 | 208 | 2,888 | 2,725 | 211 | 2,936 | 248 | 3 | 251 | 6,075 | 1,981 | 8,056 |
| 2050 | 2,810 | 71 | 2,881 | 2,855 | 71 | 2,926 | - | - | - | 5,807 | 1,979 | 7,786 |
| 2051 | - | - | - | - | - | - | - | - | - | - | 1,977 | 1,977 |
| 2052 | - | - | - | - | - | - | - | - | - | - | 1,459 | 1,459 |
| Total | \$ 1,539,250 | \$ 801,486 | \$ 2,340,736 | \$ 653,260 | \$ 451,161 | \$ 1,104,421 | \$ 71,260 | \$ 14,755 | \$ 86,015 | \$ 3,531,172 | \$ 91,970 | \$ 3,623,142 |

GREAT LAKES WATER AUTHORITY

SCHEDULE OF DEBT SERVICE REQUIREMENTS
As of June 30, 2021

Continued From
Previous Page

| Fiscal Year Ending [1] | Senior Lien Bonds (in \$1,000s) | | | Second Lien Bonds (in \$1,000s) | | | Junior Lien Bonds (in \$1,000s) | | | Total (in \$1,000s) | | |
|---------------------------------|---------------------------------|-------------------|-----------------------|---------------------------------|-------------------|-----------------------|---------------------------------|------------------|-----------------------|---|--|------------------------------|
| | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | Principal | Interest | Total Debt Service | Total Debt Service as of June 30, 2021 | Additional | Total Future Debt Service |
| | | | | | | | | | | | Future Junior Lien Debt Service [3] | |
| Sewage Disposal Fund | | | | | | | | | | | | |
| 2022 [2] | \$ 24,690 | \$ 52,654 | \$ 77,344 | \$ 15,345 | \$ 28,251 | \$ 43,596 | \$ 44,000 | \$ 9,009 | \$ 53,009 | \$ 173,949 | \$ 593 | \$ 174,542 |
| 2023 | 65,060 | 63,431 | 128,491 | 17,655 | 33,881 | 51,536 | 44,919 | 7,989 | 52,908 | 232,935 | 781 | 233,716 |
| 2024 | 80,260 | 60,103 | 140,363 | 3,215 | 33,438 | 36,653 | 40,225 | 7,002 | 47,227 | 224,243 | 782 | 225,025 |
| 2025 | 82,615 | 56,483 | 139,098 | 16,035 | 32,923 | 48,958 | 41,126 | 6,087 | 47,213 | 235,269 | 784 | 236,053 |
| 2026 | 84,900 | 52,725 | 137,625 | 16,995 | 32,040 | 49,035 | 27,200 | 5,291 | 32,491 | 219,151 | 880 | 220,031 |
| 2027 | 90,905 | 49,262 | 140,167 | 21,040 | 31,028 | 52,068 | 24,235 | 4,743 | 28,978 | 221,213 | 1,341 | 222,554 |
| 2028 | 95,135 | 46,188 | 141,323 | 25,795 | 29,793 | 55,588 | 24,670 | 4,225 | 28,895 | 225,806 | 1,343 | 227,149 |
| 2029 | 102,270 | 42,719 | 144,989 | 26,640 | 28,415 | 55,055 | 25,175 | 3,698 | 28,873 | 228,917 | 1,344 | 230,261 |
| 2030 | 114,250 | 38,808 | 153,058 | 19,860 | 27,183 | 47,043 | 25,641 | 3,160 | 28,801 | 228,902 | 1,339 | 230,241 |
| 2031 | 108,915 | 35,192 | 144,107 | 32,550 | 25,836 | 58,386 | 15,204 | 2,694 | 17,898 | 220,391 | 1,619 | 222,010 |
| 2032 | 112,765 | 32,021 | 144,786 | 34,175 | 24,168 | 58,343 | 14,100 | 2,333 | 16,433 | 219,562 | 2,691 | 222,253 |
| 2033 | 130,570 | 28,236 | 158,806 | 21,910 | 22,766 | 44,676 | 14,470 | 1,983 | 16,453 | 219,935 | 2,688 | 222,623 |
| 2034 | 132,420 | 22,774 | 155,194 | 25,915 | 21,594 | 47,509 | 14,855 | 1,624 | 16,479 | 219,182 | 2,695 | 221,877 |
| 2035 | 53,595 | 18,318 | 71,913 | 112,440 | 18,464 | 130,904 | 15,290 | 1,256 | 16,546 | 219,363 | 2,691 | 222,054 |
| 2036 | 11,445 | 16,909 | 28,354 | 162,055 | 12,296 | 174,351 | 14,662 | 887 | 15,549 | 218,254 | 2,695 | 220,949 |
| 2037 | 11,745 | 16,544 | 28,289 | 169,445 | 4,593 | 174,038 | 7,280 | 557 | 7,837 | 210,164 | 2,689 | 212,853 |
| 2038 | 110,565 | 14,637 | 125,202 | 1,690 | 522 | 2,212 | 7,394 | 379 | 7,773 | 135,187 | 2,692 | 137,879 |
| 2039 | 114,005 | 11,146 | 125,151 | 1,745 | 461 | 2,206 | 6,542 | 198 | 6,740 | 134,097 | 2,694 | 136,791 |
| 2040 | 117,550 | 7,545 | 125,095 | 1,810 | 396 | 2,206 | 990 | 72 | 1,062 | 128,363 | 2,690 | 131,053 |
| 2041 | 23,745 | 5,275 | 29,020 | 1,875 | 330 | 2,205 | 1,010 | 52 | 1,062 | 32,287 | 2,690 | 34,977 |
| 2042 | 24,635 | 4,374 | 29,009 | 1,945 | 261 | 2,206 | 1,030 | 31 | 1,061 | 32,276 | 2,694 | 34,970 |
| 2043 | 25,545 | 3,438 | 28,983 | 2,015 | 189 | 2,204 | 1,050 | 11 | 1,061 | 32,248 | 2,499 | 34,747 |
| 2044 | 26,500 | 2,468 | 28,968 | 2,085 | 116 | 2,201 | - | - | - | 31,169 | - | 31,169 |
| 2045 | 27,275 | 1,463 | 28,738 | 2,160 | 39 | 2,199 | - | - | - | 30,937 | - | 30,937 |
| 2046 | 4,425 | 843 | 5,268 | - | - | - | - | - | - | 5,268 | - | 5,268 |
| 2047 | 4,645 | 617 | 5,262 | - | - | - | - | - | - | 5,262 | - | 5,262 |
| 2048 | 4,880 | 378 | 5,258 | - | - | - | - | - | - | 5,258 | - | 5,258 |
| 2049 | 5,125 | 128 | 5,253 | - | - | - | - | - | - | 5,253 | - | 5,253 |
| 2050 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2051 | - | - | - | - | - | - | - | - | - | - | - | - |
| 2052 | - | - | - | - | - | - | - | - | - | - | - | - |
| Total | \$ 1,790,435 | \$ 684,679 | \$ 2,475,114 | \$ 736,395 | \$ 408,983 | \$ 1,145,378 | \$ 411,068 | \$ 63,281 | \$ 474,349 | \$ 4,094,841 | \$ 42,914 | \$ 4,137,755 |

[1] Reflects fiscal period in which actual payments are due.

[2] For bonds issued through the Michigan Finance Authority (MFA) in 2014 and 2015, the Authority is required to make payment on these obligations to the MFA depository account five business days prior to the actual due date of the bond principal and interest payments. Therefore, the payments for the principal and interest due on July 1, 2021 are not included in the debt service requirement amounts above as they were paid on June 24, 2021.

[3] Includes principal and interest payments on undrawn SRF loans that have been authorized and unissued.

GREAT LAKES WATER AUTHORITY

DEBT CREDIT RATING HISTORY As of June 30, 2021

| Debt Type | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---------------------------------------|------|------|------|------|------|------|
| Water Supply System Revenue | | | | | | |
| Standards & Poor's | | | | | | |
| Senior Lien | AA- | AA- | AA- | A- | A- | A- |
| Second Lien | A+ | A+ | A+ | BBB+ | BBB+ | BBB+ |
| Junior Lien | A+ | A+ | A+ | N/A | N/A | N/A |
| Moody's | | | | | | |
| Senior Lien | A1 | A1 | A2 | A3 | A3 | Baa1 |
| Second Lien | A2 | A2 | A3 | Baa1 | Baa1 | Baa2 |
| Fitch | | | | | | |
| Senior Lien | A+ | A+ | A | A | A | BBB |
| Second Lien | A | A | A- | A- | A- | BBB- |
| Sewage Disposal System Revenue | | | | | | |
| Standard's & Poor's | | | | | | |
| Senior Lien | AA- | AA- | A+ | A- | A- | A- |
| Second Lien | A+ | A+ | A | BBB+ | BBB+ | BBB+ |
| Junior Lien | A+ | A+ | A | N/A | N/A | N/A |
| Moody's | | | | | | |
| Senior Lien | A1 | A1 | A2 | A3 | A3 | Baa1 |
| Second Lien | A2 | A2 | A3 | Baa1 | Baa1 | Baa2 |
| Fitch | | | | | | |
| Senior Lien | A+ | A+ | A | A | A | BBB |
| Second Lien | A | A | A- | A- | A- | BBB- |

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY**CALCULATION OF DEBT SERVICE COVERAGE - OVERVIEW**

As of June 30, 2021

The Authority has pledged Net Revenues of the water and sewage disposal systems to secure the repayment of the principal and interest of the revenue bonds and State of Michigan revolving fund loans. Revenues are defined in the Master Bond Ordinance (MBO) and are in accordance with State of Michigan Public Act 94, the Revenue Bond Act of 1933, as all monies collected, directly or indirectly, by GLWA, or by the DWSD as agent for GLWA for the local system under the water and sewer services agreement.

Net Revenues are defined in the MBO as all Revenues except for those transferred to the Operations and Maintenance Fund. The operating expenses in the Operations Fund are paid for with the revenues that are transferred to the Operations and Maintenance Fund (bank account). See the Schedule of Operating Expenses for Water Operations – Budget to Actual and Schedule of Operating Expenses for Sewage Disposal Operations – Budget to Actual for the detail of the operating expense line item Operations and Maintenance Regional System in the GAAP basis calculation of debt service coverage. Operating expenses in the Improvement and Extension Fund (I&E) are not included in the calculation due to the nature of those expenditures, which are paid from previous years revenue set aside to reduce debt financing.

The MBO establishes that rates and charges be set such that they are expected to produce debt service coverage that is not less than the Required Coverage. Required Coverage is defined as debt service coverage levels of 1.20 for senior lien bonds, 1.10 for second lien bonds and 1.00 for any junior lien bonds, other than second lien bonds. Debt service coverage ratios are inclusive of all revenue bonds, capital appreciation bonds and state revolving loans held on behalf of both GLWA and DWSD.

GREAT LAKES WATER AUTHORITY

CALCULATION OF DEBT SERVICE COVERAGE - GAAP BASIS - WATER SYSTEM

As of June 30, 2021

| | |
|--|------------------------------|
| Operating Revenue | |
| Suburban Wholesale Customers [1] | \$ 315,771,515 |
| Detroit Customers | |
| Wholesale Service Charge Revenue [1] | 21,925,500 |
| Local Service Revenues [2] | <u>70,314,520</u> |
| Subtotal - Detroit Customers | 92,240,020 |
| Other Operating Revenue-GLWA | 265,822 |
| Other Operating and Nonoperating Revenue-DWSD | <u>303,992</u> |
| Other Nonoperating Revenue-GLWA | 1,740 |
| Earnings on investments less construction fund investment earnings | <u>4,195,305</u> |
| Total Revenue | <u>412,778,394</u> |
| Operating Expenses | |
| Operations and Maintenance Regional System | 118,840,855 |
| Operations and Maintenance transfer to Local System | 35,833,900 |
| Legacy Pension Obligations Regional System [3] | 6,048,000 |
| Legacy Pension Obligations Local System [3] | <u>4,272,000</u> |
| Total Operating Expenses | <u>164,994,755</u> |
| Pledged revenues for the year ending June 30, 2021 | <u>\$ 247,783,639</u> |
| Principal and interest funding requirement for the year ending June 30, 2021 [4]: | |
| Senior Lien Bonds | \$ 123,798,304 |
| Second Lien Bonds | <u>51,731,158</u> |
| Total Senior and Second Lien Bonds | 175,529,462 |
| Junior Lien Bonds | <u>3,684,917</u> |
| Total All Bonds | <u>\$ 179,214,379</u> |
| GAAP Basis Debt Service Coverage | |
| Senior Lien Bonds | 2.00 |
| Senior and Second Lien Bonds | 1.41 |
| All Bonds, Including SRF Junior Lien | 1.38 |

[1] Total GLWA Regional System Wholesale Revenue reported net of bad debt allowance and \$6,652,253 for the KWA debt service credits.

[2] Local Service Revenue reported net of bad debt allowance.

[3] The legacy pension obligations reflects only the Legacy Pension Obligation as defined in Section 504 (c) of the Water Master Bond Ordinance.

[4] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination

Based on preliminary DWSD financial statements presented to the Board of Water Commissioners on September 27, 2021.

GREAT LAKES WATER AUTHORITY

CALCULATION OF DEBT SERVICE COVERAGE - GAAP BASIS - SEWAGE DISPOSAL SYSTEM
As of June 30, 2021

| | |
|--|------------------------------|
| Operating Revenue | |
| Suburban Wholesale Customers [1] | \$ 267,567,816 |
| Industrial waste charges | 8,004,939 |
| Pollutant surcharges | 6,719,964 |
| Subtotal - Regional System Suburban Wholesale Customers | <u>282,292,719</u> |
| Detroit Customers | |
| Wholesale Service Charge Revenue [1] | 187,959,700 |
| Local Service Revenues [2] | <u>87,867,350</u> |
| Subtotal - Detroit Customers | 275,827,050 |
| Other Operating Revenue-GLWA | 501,121 |
| Other Operating and Nonoperating Revenue-DWSD | <u>891,195</u> |
| Other Nonoperating Revenue-GLWA | 5,980,784 |
| Earnings on investments less construction fund investment earnings | <u>2,802,041</u> |
| Total Revenue | <u>568,294,910</u> |
| Operating Expenses | |
| Operations and Maintenance Regional System | 172,312,815 |
| Operations and Maintenance transfer to Local System | 69,915,700 |
| Legacy Pension Obligations Regional System [3] | 10,824,000 |
| Legacy Pension Obligations Local System [3] | <u>2,856,000</u> |
| Total Operating Expenses | <u>255,908,515</u> |
| Pledged revenues for the year ending June 30, 2021 | <u>\$ 312,386,395</u> |
| Principal and interest funding requirement for the year ending June 30, 2021 [4]: | |
| Senior Lien Bonds | \$ 119,217,128 |
| Second Lien Bonds | <u>57,778,951</u> |
| Total Senior and Second Lien Bonds | 176,996,079 |
| Junior Lien Bonds | <u>53,166,797</u> |
| Total All Bonds | <u>\$ 230,162,876</u> |
| GAAP Basis Debt Service Coverage | |
| Senior Lien Bonds | 2.62 |
| Senior and Second Lien Bonds | 1.76 |
| All Bonds, Including SRF Junior Lien | 1.36 |

[1] Total GLWA Regional System Wholesale Revenue reported net of bad debt allowance.

[2] Local Service Revenue reported net of bad debt allowance.

[3] The legacy pension obligations reflects only the Legacy Pension Obligation as defined in Section 504 (c) of the Water Master Bond Ordinance.

[4] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

Based on preliminary DWSD financial statements presented to the Board of Water Commissioners on September 27, 2021.

GREAT LAKES WATER AUTHORITY

CALCULATION OF DEBT SERVICE COVERAGE -
RATE COVENANT BASIS - WATER SYSTEM

As of June 30, 2021

| | |
|--|------------------------------|
| Receipts | |
| Suburban Wholesale Customers | \$ 310,032,178 |
| Detroit Customers | |
| Wholesale Service Charge Revenue | 21,925,500 |
| Local Service Revenues | <u>80,141,924</u> |
| Subtotal - Detroit Customers | 102,067,424 |
| Earnings on investments less construction fund investment earnings | <u>4,684,353</u> |
| Total Revenue | <u><u>416,783,955</u></u> |
| Disbursements | |
| Operations and Maintenance Regional System | 124,167,627 |
| Operations and Maintenance transfer to Local System | 35,833,900 |
| Legacy Pension Obligations Regional System | 6,048,000 |
| Legacy Pension Obligations Local System | <u>4,272,000</u> |
| Total Operating Expenses | <u>170,321,527</u> |
| Pledged revenues for the year ending June 30, 2021 | <u><u>\$ 246,462,428</u></u> |
| Principal and interest funding requirement for the year ending June 30, 2021 [1]: | |
| Senior Lien Bonds | \$ 123,798,304 |
| Second Lien Bonds | <u>51,731,158</u> |
| Total Senior and Second Lien Bonds | 175,529,462 |
| Junior Lien Bonds | <u>3,684,917</u> |
| Total All Bonds | <u><u>\$ 179,214,379</u></u> |
| Rate Covenant Debt Service Coverage | |
| Senior Lien Bonds | 1.99 |
| Senior and Second Lien Bonds | 1.40 |
| All Bonds, Including SRF Junior Lien | 1.38 |

[1] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

GREAT LAKES WATER AUTHORITY

CALCULATION OF DEBT SERVICE COVERAGE -
RATE COVENANT BASIS - SEWAGE DISPOSAL SYSTEM
As of June 30, 2021

| | |
|--|------------------------------|
| Receipts | |
| Suburban Wholesale Customers | \$ 286,580,811 |
| Detroit Customers | |
| Wholesale Service Charge Revenue | 187,959,700 |
| Local Service Revenues | <u>120,251,068</u> |
| Subtotal - Detroit Customers | 308,210,768 |
| Earnings on investments less construction fund investment earnings | <u>2,739,425</u> |
| Total Revenue | <u>597,531,004</u> |
| Disbursements | |
| Operations and Maintenance Regional System | 165,588,970 |
| Operations and Maintenance transfer to Local System | 69,915,700 |
| Legacy Pension Obligations Regional System | 10,824,000 |
| Legacy Pension Obligations Local System | <u>2,856,000</u> |
| Total Operating Expenses | <u>249,184,670</u> |
| Pledged revenues for the year ending June 30, 2021 | <u>\$ 348,346,334</u> |
| Principal and interest funding requirement for the year ending June 30, 2021 [1]: | |
| Senior Lien Bonds | \$ 119,217,128 |
| Second Lien Bonds | <u>57,778,951</u> |
| Total Senior and Second Lien Bonds | 176,996,079 |
| Junior Lien Bonds | <u>53,166,797</u> |
| Total All Bonds | <u>\$ 230,162,876</u> |
| Rate Covenant Debt Service Coverage | |
| Senior Lien Bonds | 2.92 |
| Senior and Second Lien Bonds | 1.97 |
| All Bonds, Including SRF Junior Lien | 1.51 |

[1] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

GREAT LAKES WATER AUTHORITY

DEBT SERVICE COVERAGE HISTORY - WATER SYSTEM

As of June 30, 2021

| | 2021 | 2020 [4] | 2019 | 2018 | 2017 | 2016 [1] |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| GAAP Basis | | | | | | |
| Pledged revenue | <u>\$ 247,783,639</u> | <u>\$ 242,657,047</u> | <u>\$ 243,712,390</u> | <u>\$ 271,314,197</u> | <u>\$ 282,545,208</u> | <u>\$ 276,399,904</u> |
| Principal and interest funding requirement [2]: | | | | | | |
| Senior lien bonds | \$ 123,798,304 | \$ 122,318,928 | \$ 119,230,820 | \$ 127,687,420 | \$ 134,234,660 | \$ 128,177,999 |
| Second lien bonds | <u>51,731,158</u> | <u>47,849,350</u> | <u>46,214,385</u> | <u>42,852,813</u> | <u>38,990,023</u> | <u>41,178,843</u> |
| Total senior and second lien bonds | 175,529,462 | 170,168,278 | 165,445,205 | 170,540,233 | 173,224,683 | 169,356,842 |
| Junior lien bonds | <u>3,684,917</u> | <u>2,700,795</u> | <u>2,521,249</u> | <u>2,009,658</u> | <u>1,785,328</u> | <u>1,781,683</u> |
| Total all bonds | <u>\$ 179,214,379</u> | <u>\$ 172,869,073</u> | <u>\$ 167,966,454</u> | <u>\$ 172,549,891</u> | <u>\$ 175,010,011</u> | <u>\$ 171,138,525</u> |
| GAAP basis debt service coverage | | | | | | |
| Senior lien bonds | 2.00 | 1.98 | 2.04 | 2.12 | 2.10 | 2.16 |
| Senior and second lien bonds | 1.41 | 1.43 | 1.47 | 1.59 | 1.63 | 1.63 |
| All bonds, including SRF junior lien | 1.38 | 1.40 | 1.45 | 1.57 | 1.61 | 1.62 |
| Rate Covenant Basis [3] | | | | | | |
| Pledged revenue | <u>\$ 246,462,428</u> | <u>\$ 237,025,827</u> | <u>\$ 254,119,800</u> | <u>\$ 264,608,700</u> | <u>\$ 272,268,900</u> | |
| Principal and interest funding requirement [2]: | | | | | | |
| Senior lien bonds | \$ 123,798,304 | \$ 122,318,928 | \$ 119,230,820 | \$ 127,687,420 | \$ 134,234,660 | |
| Second lien bonds | <u>51,731,158</u> | <u>47,849,350</u> | <u>46,214,385</u> | <u>42,852,813</u> | <u>38,990,023</u> | |
| Total senior and second lien bonds | 175,529,462 | 170,168,278 | 165,445,205 | 170,540,233 | 173,224,683 | |
| Junior lien bonds | <u>3,684,917</u> | <u>2,700,795</u> | <u>2,521,249</u> | <u>2,009,658</u> | <u>1,785,328</u> | |
| Total all bonds | <u>\$ 179,214,379</u> | <u>\$ 172,869,073</u> | <u>\$ 167,966,454</u> | <u>\$ 172,549,891</u> | <u>\$ 175,010,011</u> | |
| Rate covenant debt service coverage | | | | | | |
| Senior lien bonds | 1.99 | 1.94 | 2.13 | 2.07 | 2.03 | |
| Senior and second lien bonds | 1.40 | 1.39 | 1.54 | 1.55 | 1.57 | |
| All bonds, including SRF junior lien | 1.38 | 1.37 | 1.51 | 1.53 | 1.56 | |

[1] GLWA started operations on January 1, 2016. Includes 6 months under operations of DWSD and 6 months under the operations of GLWA under the Master Bond Ordinances in effect during the respective time periods.

[2] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

[3] GLWA introduced the rate covenant basis for debt service coverage in the 2020 Water and Sewer Official Statements. Historic calculations were computed as part of that official statement development.

[4] Second and SRF Junior Lien values were restated due to a calculation error. Debt Service Coverage amounts presented may differ slightly from last year's Annual Comprehensive Financial Report

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

DEBT SERVICE COVERAGE HISTORY - SEWAGE DISPOSAL SYSTEM

As of June 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 [1] |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| GAAP Basis | | | | | | |
| Pledged revenue | 312,386,395 | 318,792,554 | 306,491,042 | 311,232,453 | 350,855,928 | 328,801,416 |
| Principal and interest funding requirement [2]: | | | | | | |
| Senior lien bonds | \$ 119,217,128 | \$ 147,310,565 | \$ 145,795,507 | \$ 141,718,836 | \$ 140,854,010 | \$ 140,191,016 |
| Second lien bonds | 57,778,951 | 45,878,850 | 43,922,600 | 43,990,100 | 47,918,639 | 48,944,924 |
| Total senior and second lien bonds | 176,996,079 | 193,189,415 | 189,718,107 | 185,708,936 | 188,772,649 | 189,135,940 |
| Junior lien bonds | 53,166,797 | 52,593,843 | 49,454,156 | 46,571,896 | 45,782,165 | 39,434,631 |
| Total all bonds | <u>\$ 230,162,876</u> | <u>\$ 245,783,258</u> | <u>\$ 239,172,263</u> | <u>\$ 232,280,832</u> | <u>\$ 234,554,814</u> | <u>\$ 228,570,571</u> |
| GAAP basis debt service coverage | | | | | | |
| Senior lien bonds | 2.62 | 2.16 | 2.10 | 2.20 | 2.49 | 2.35 |
| Senior and second lien bonds | 1.76 | 1.65 | 1.62 | 1.68 | 1.86 | 1.74 |
| All bonds, including SRF junior lien | 1.36 | 1.30 | 1.28 | 1.34 | 1.50 | 1.44 |
| Rate Covenant Basis [3] | | | | | | |
| Pledged revenue | <u>\$ 348,346,334</u> | <u>\$ 316,606,247</u> | <u>\$ 307,746,262</u> | <u>\$ 289,772,284</u> | <u>\$ 284,557,882</u> | |
| Principal and interest funding requirement [2]: | | | | | | |
| Senior lien bonds | \$ 119,217,128 | \$ 147,310,565 | \$ 145,795,507 | \$ 141,718,836 | \$ 140,854,010 | |
| Second lien bonds | 57,778,951 | 45,878,850 | 43,922,600 | 43,990,100 | 47,918,639 | |
| Total senior and second lien bonds | 176,996,079 | 193,189,415 | 189,718,107 | 185,708,936 | 188,772,649 | |
| Junior lien bonds | 53,166,797 | 52,593,843 | 49,454,156 | 46,571,896 | 45,782,165 | |
| Total all bonds | <u>\$ 230,162,876</u> | <u>\$ 245,783,258</u> | <u>\$ 239,172,263</u> | <u>\$ 232,280,832</u> | <u>\$ 234,554,814</u> | |
| Rate covenant debt service coverage | | | | | | |
| Senior lien bonds | 2.92 | 2.15 | 2.11 | 2.04 | 2.02 | |
| Senior and second lien bonds | 1.97 | 1.64 | 1.62 | 1.56 | 1.51 | |
| All bonds, including SRF junior lien | 1.51 | 1.29 | 1.29 | 1.25 | 1.21 | |

[1] GLWA started operations on January 1, 2016. Includes 6 months under operations of DWSD and 6 months under the operations of GLWA under the Master Bond Ordinances in effect during the respective time periods.

[2] Calculated on a debt set aside basis consistent with rate covenant basis for rate determination purposes.

[3] GLWA introduced the rate covenant basis for debt service coverage in the 2020 Water and Sewer Official Statements. Historic calculations were computed as part of that official statement development.

Note: This schedule is being built prospectively; ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

SERVICE AREA DEMOGRAPHICS Last Ten Years

| Year | Total Population (1) | Unemployment (2) | Per Capita Income (3) | Total Debt Service (5) | Debt Per Capita | Debt Service as a Percentage of Income |
|-----------------------------|-------------------------|---------------------|--------------------------|---------------------------|--------------------|--|
| Water Fund | | | | | | |
| 2021 | 3,800,000 | 4.8% | \$ 53,316 (4) | \$ 179,214,379 | \$ 47.16 | 0.09% |
| 2020 | 3,800,000 | 11.7% | 50,069 (4) | 172,869,073 | 45.49 | 0.09% |
| 2019 | 3,800,000 | 4.3% | 54,172 | 162,377,261 | 42.73 | 0.08% |
| 2018 | 3,800,000 | 4.3% | 52,572 | 172,549,890 | 45.41 | 0.09% |
| 2017 | 3,800,000 | 4.6% | 50,863 | 175,010,012 | 46.06 | 0.09% |
| 2016 * | 3,800,000 | 5.3% | 48,692 | 171,138,525 | 45.04 | 0.09% |
| 2015 * | 3,800,000 | 5.9% | 46,894 | 178,923,900 | 47.09 | 0.10% |
| 2014 * | 3,800,000 | 8.1% | 44,718 | 182,464,900 | 48.02 | 0.11% |
| 2013 * | 3,800,000 | 9.7% | 42,555 | 172,458,800 | 45.38 | 0.11% |
| 2012 * | 3,800,000 | 10.1% | 42,168 | 153,524,200 | 40.40 | 0.10% |
| Sewage Disposal Fund | | | | | | |
| 2021 | 2,800,000 | 4.8% | \$ 53,316 (4) | \$ 230,162,876 | \$ 82.20 | 0.15% |
| 2020 | 2,800,000 | 11.7% | 50,069 (4) | 245,641,464 | 87.73 | 0.18% |
| 2019 | 2,800,000 | 4.3% | 54,172 | 235,381,235 | 84.06 | 0.16% |
| 2018 | 2,800,000 | 4.3% | 52,572 | 232,491,813 | 83.03 | 0.16% |
| 2017 | 2,800,000 | 4.6% | 50,863 | 234,554,814 | 83.77 | 0.16% |
| 2016 * | 2,800,000 | 5.3% | 48,692 | 228,570,571 | 81.63 | 0.17% |
| 2015 * | 2,807,000 | 5.9% | 46,894 | 232,612,800 | 82.87 | 0.18% |
| 2014 * | 2,807,000 | 8.1% | 44,718 | 229,611,100 | 81.80 | 0.18% |
| 2013 * | 2,807,000 | 9.7% | 42,555 | 225,222,900 | 80.24 | 0.19% |
| 2012 * | 2,807,000 | 10.1% | 42,168 | 203,092,300 | 72.35 | 0.17% |

(1) Source: Estimated based on data from Southeast Michigan Council of Governments (SEMCOG).

(2) Source: Bureau of Labor Statistics Detroit-Warren-Dearborn MSA Annual Average (For 2021 the June rate was used). The Detroit-Warren-Dearborn Metropolitan Statistical Area (MSA) is comprised of six counties: Wayne, Oakland, Macomb, Livingston, Lapeer and St. Clair. This represents the majority of the service area customers.

(3) Source: FRED Economic Data, St. Louis Fed

(4) Source: Michigan State University Center for Economic Analysis

(5) Debt service is based on set aside debt service requirements for the fiscal year which includes the subsequent year July 1st debt payment.

* GLWA assumed operations on January 1, 2016. The information in this table from 2012-2015 is based on operations under the City of Detroit Water and Sewerage Department (DWSD). Data for 2016 includes six months of operation under DWSD and six months of operation under GLWA.

GREAT LAKES WATER AUTHORITY

LARGEST EMPLOYERS Current Year and 9 years prior

| Employer | Type of Business | Fiscal Year 2021 | | | Fiscal Year 2012 | | |
|-----------------------------------|--|------------------|------|------------------------------------|------------------|------|------------------------------------|
| | | Full- Time | | Percent of Total Employment (b) | Full- Time | | Percent of Total Employment (d) |
| | | Employees (a) | Rank | | Employees (c) | Rank | |
| Ford Motor Co. | Automobile Manufacturer | 46,000 | 1 | 2.45% | 39,134 | 1 | 2.16% |
| FCA US LLC/Chrysler Group LLC | Automobile Manufacturer | 38,744 | 2 | 2.07% | 25,733 | 4 | 1.42% |
| University of Michigan | Public University and Health System | 36,323 | 3 | 1.94% | 28,525 | 2 | 1.57% |
| General Motors Co. | Automobile Manufacturer | 32,645 | 4 | 1.74% | 25,813 | 3 | 1.42% |
| Beaumont Health | Health Care System | 25,786 | 5 | 1.38% | 12,767 | 9 | 0.70% |
| Henry Ford Health System | Health Care System | 21,369 | 6 | 1.14% | 18,402 | 6 | 1.01% |
| U.S. Government | Federal Government | 18,893 | 7 | 1.01% | 19,033 | 5 | 1.05% |
| Rocket Companies | Holding company consisting of personal finance and consumer service brands | 15,250 | 8 | 0.81% | n/a | n/a | n/a |
| Trinity Health | Health Care System | 14,575 | 9 | 0.78% | 13,828 | 7 | 0.76% |
| Ascension Michigan | Health Care System | 12,771 | 10 | 0.68% | n/a | n/a | n/a |
| Detroit Medical Center | Health Care System | n/a | n/a | n/a | 13,499 | 8 | 0.74% |
| St. John Providence Health System | Health Care System | n/a | n/a | n/a | 12,649 | 10 | 0.70% |
| Total | | <u>262,356</u> | | <u>14.00%</u> | <u>209,383</u> | | <u>11.53%</u> |

(a) Employment data from July 2020 Crain's Detroit Business (most recent available), Largest Southeast Michigan Employers - Ranked by full-time employees

(b) Percentage base on U.S. Bureau of Labor Statistics from June 2020 of 1,875,294 for the Detroit-Warren-Dearborn, MI Metropolitan Statistical Area

(c) Employment data from July 2012 Crain's Detroit Business, Largest Metro Detroit Employers - Ranked by full-time employees

(d) Percentage base on U.S. Bureau of Labor Statistics from July 2012 of 1,813,877 for the Detroit-Warren-Dearborn, MI Metropolitan Statistical Area

GREAT LAKES WATER AUTHORITY

PRODUCED AND BILLED WATER VOLUMES

| Fiscal Year | Estimated Total Water Produced (Mcf) [1] | Reported Water Sales | | | Estimated Non-Revenue Water (Mcf) | Estimated Non-Revenue % of Production |
|-------------|--|-------------------------------------|-------------------------------|--------------------------|-----------------------------------|---------------------------------------|
| | | Wholesale Customer Billed (Mcf) [2] | Local System Billed (Mcf) [3] | Total Water Billed (Mcf) | | |
| 2021 | 20,565,800 | 14,258,300 | 4,120,000 | 18,378,300 | 2,187,500 | 10.6% |
| 2020 | 19,989,500 | 13,578,700 | 4,161,300 | 17,740,000 | 2,249,500 | 11.3% |
| 2019 | 20,968,100 | 13,708,600 | 4,354,600 | 18,063,200 | 2,904,900 | 13.9% |
| 2018 | 23,228,600 | 14,391,800 | 4,428,200 | 18,820,000 | 4,408,600 | 19.0% |
| 2017 | 23,915,600 | 14,824,000 | 4,465,800 | 19,289,800 | 4,625,800 | 19.3% |
| 2016 * | 23,580,700 | 14,730,400 | 4,649,100 | 19,379,500 | 4,201,200 | 17.8% |

The table for historical water sales and reported total water production presents water volume in thousands of cubic feet ("Mcf") for suburban wholesale customers, for the Retail Water Customers, and for the Regional Water System as a whole, together with total water production and non-revenue water volume. As is common for all large water systems, the Regional Water System experiences a differential between the quantity of water produced by the treatment plants during the fiscal year and the quantity of water billed to customers over the same period, and the difference is referred to as "non-revenue water." Non-revenue water results from a variety of factors such as the range of accuracy of production and retail meters, losses due to leaks or major breaks in the transmission and distribution systems, unmetered water that is used for fire protection, and the accuracy of estimates for unmetered use. The Authority believes that improvements in the accuracy of the reported production figures may reduce the level of non-revenue water. Production at some of the water plants is not metered, but rather is estimated based on pump curves. The data continues to be reviewed, and the Authority has initiated efforts to measure production figures and refine production estimating techniques.

The schedule of charges for each of the wholesale customers consists of a fixed monthly charge and a commodity charge applied to monthly metered water usage. While the overall methodology used to determine charges for each customer is uniform, the service charge schedule for each customer is unique, reflecting the specific volumes, peak demands, and other demographic information in their individual contracts. Charges are designed to recover 60% of the revenue requirement via fixed monthly charges, with the other 40% generated by commodity charges.

[1] Represents, in part, estimated volumes based on pump curves and engineering analysis. GLWA engineering studies in 2017 concluded that the total water production values for calendar year 2016 were over-reported by 5.8%.

[2] Represents metered amounts for all suburban wholesale customers, with the exception of Dearborn which is based on self-reported billed volumes (including local system losses), and Highland Park, which is based on estimated volumes.

[3] The GLWA charges the DWSD local system a flat charge based on average historical usage from DWSD retail billings data adjusted for water loss. These amounts reflect retail water sales as reported by DWSD plus estimated real and apparent losses in the local distribution system based on engineering studies.

* GLWA assumed operations on January 1, 2016. Data for 2016 includes six months of operation under DWSD and six months of operation under GLWA. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

WASTEWATER VOLUMES (Mcf)

| Fiscal Year | Total Wastewater Influent [1] | Customer Wastewater Volume [2] | | "System" Volume [3] |
|--------------------|-------------------------------------|--------------------------------|----------------------------|------------------------|
| | | Metered Customers | Unmetered Customers [3] | |
| 2021 (preliminary) | 27,589,600 | 11,768,100 | 9,475,900 | 6,345,600 |
| 2020 | 30,758,900 | 13,714,800 | 9,590,200 | 7,453,900 |
| 2019 | 33,992,100 | 14,569,600 | 10,927,200 | 8,495,300 |
| 2018 | 32,038,300 | 13,587,800 | 10,487,000 | 7,963,500 |
| 2017 | 33,458,500 | 14,072,100 | 10,788,000 | 8,598,400 |
| 2016 * | 29,177,900 | 12,717,100 | 11,288,400 | 5,172,400 |

[1] Represents total influent volume to the System, including volumes treated and discharged at the Water Resource Recovery Facility and volumes discharged via Combined Sewer Overflow facilities

[2] The GLWA Sewer Charge Methodology uses historical wastewater volumes to allocate annual revenue requirements to the member partners based on historical wastewater volumes, and recovers the allocated revenue requirements via fixed monthly charges.

[3] The GLWA Sewer Charge Methodology assigns a portion of the unmetered non-sanitary flow volume as a "system" responsibility allocable to all member partners. The remaining amount is assigned to unmetered customers, which includes the Local System and certain wholesale customers.

* GLWA assumed operations on January 1, 2016. Data for 2016 includes six months of operation under City of Detroit Water and Sewerage Department (DWSD) and six months of operation under GLWA. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

GREAT LAKES WATER AUTHORITY

ADDITIONAL SUMMARY STATISTICS
Last Six Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------|--------------|--------------|------------|------------|------------|
| Capital Asset Statistics - Water | | | | | | |
| Water Treatment Plants | 5 | 5 | 5 | 5 | 5 | 5 |
| Intake Facilities | 3 | 3 | 3 | 3 | 3 | 3 |
| Booster Pumping Stations | 19 | 19 | 19 | 19 | 19 | 19 |
| Water Storage Reservoirs | 32 | 32 | 32 | 32 | 32 | 32 |
| Miles of Transmission Lines | 816 | 816 | 816 | 803 | 803 | 803 |
| Capital Asset Statistics - Sewer | | | | | | |
| Water Resource Recovery Facility | 1 | 1 | 1 | 1 | 1 | 1 |
| Major Interceptors | 3 | 3 | 3 | 3 | 3 | 3 |
| Pump Stations [1] | 9 | 9 | 9 | 9 | 9 | 9 |
| Combined Sewer Overflow Facilities: | | | | | | |
| Retention Treatment Basins | 5 | 5 | 5 | 5 | 5 | 5 |
| Flow-through Type Facilities | 3 | 3 | 3 | 3 | 3 | 3 |
| Miles of Trunk Sewers and Interceptors | 195 | 195 | 195 | 181 | 181 | 181 |
| GLWA Employees | | | | | | |
| Water Operations | 211 | 211 | 213 | 205 | 180 | 155 |
| Sewage Disposal Operations | 320 | 344 | 369 | 358 | 342 | 320 |
| Centralized Services | 298 | 302 | 295 | 276 | 249 | 217 |
| Administrative Services | 156 | 152 | 147 | 129 | 110 | 90 |
| Total Employees | 985 | 1,009 | 1,024 | 968 | 881 | 782 |

[1] GLWA operates nine pump stations. This count includes four pump stations that are owned by DWSD and operated by GLWA under a shared services agreement.

GLWA began operations on January 1, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

DRAFT



We are
One water.



GLWA
Great Lakes Water Authority

Financial Services Area
735 Randolph, Suite 1608
Detroit, Michigan 48226

Attachment 4

Draft Scheduled of Expenditures of Federal Awards

DRAFT 11.29.21

Great Lakes Water Authority

Report on Federal Awards

June 30, 2021

| | <u>Page</u> |
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| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1 |
| Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 3 |
| Schedule of Expenditures of Federal Awards | 6 |
| Notes to Schedule of Expenditures of Federal Awards | 7 |
| Schedule of Findings and Questioned Costs | 8 |

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

To the Board of Directors of
Great Lakes Water Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and each major fund of the Great Lakes Water Authority (the Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Great Lakes Water Authority's basic financial statements, and have issued our report thereon dated December 8, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Madison, Wisconsin
December 8, 2021

Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors of
Great Lakes Water Authority

Report on Compliance for the Major Federal Program

We have audited the Great Lakes Water Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2021. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

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

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

Purpose of This Report

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

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

We have audited the financial statements of the business-type activities, and each major fund of the Great Lakes Water Authority, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Great Lakes Water Authority's basic financial statements. We issued our report thereon dated December 8, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Madison, Wisconsin
December 8, 2021

Great Lakes Water Authority

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| <u>Federal Grantor/ Program Title</u> | <u>CFDA Number</u> | <u>Pass-through Agency Grant Number</u> | <u>Payments Made to Subrecipients</u> | <u>Federal Expenditures</u> |
|---|------------------------|---|---|---------------------------------|
| Federal Programs | | | | |
| U.S ENVIRONMENTAL PROTECTION AGENCY | | | | |
| Passed-through the Michigan Department of Environment, Great Lakes and Energy | | | | |
| Clean Water State Revolving Fund Cluster | | | | |
| Capitalization Grants for Clean Water State Revolving Funds: | | | | |
| State Revolving Fund Loan | 66.458 | 5636-01 | \$ - | \$ 1,281,855 |
| State Revolving Fund Loan | 66.458 | 5655-01 | - | 2,752,741 |
| State Revolving Fund Loan | 66.458 | 5655-02 | - | 8,106,576 |
| State Revolving Fund Loan | 66.458 | 5673-01 | - | 1,292,675 |
| Total Clean Water State Revolving Fund Cluster | | | - | 13,433,847 |
| Passed-through the Michigan Department of Environment, Great Lakes and Energy | | | | |
| Drinking Water State Revolving Fund Cluster | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds: | | | | |
| State Revolving Fund Loan | 66.468 | 7445-01 | - | 2,544,575 |
| State Revolving Fund Loan | 66.468 | 7446-01 | - | 1,106,124 |
| State Revolving Fund Loan | 66.468 | 7447-01 | 2,813,497 | 2,813,497 |
| State Revolving Fund Loan | 66.468 | 7460-01 | 6,757,649 | 6,757,649 |
| State Revolving Fund Loan | 66.468 | 7461-01 | - | 1,210,245 |
| Total Drinking Water State Revolving Fund Cluster | | | 9,571,146 | 14,432,090 |
| Total Federal Programs | | | \$ 9,571,146 | \$ 27,865,937 |

See accompanying notes to schedule of expenditures of federal awards

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Great lakes Water Authority (Authority) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified cash basis of accounting, which is described as follows:

Basis of Accounting

In general, expenditures are reported in the Schedule when the Authority remits payment to a vendor or contractor, rather than when an expense is incurred by the Authority in accordance with Generally Accepted Accounting Principles (GAAP). Additionally, any amounts paid to subrecipients are included when paid or transferred instead of when incurred. The Authority reports its expenditures using this method based on guidance it received from the Michigan Department of Environment, Great Lakes, and Energy (EGLE), which serves as the pass-through entity for all of the Authority's federally funded loan programs.

Pre-Award Costs

In addition to the above, the EGLE may approve reimbursement of costs related to projects undertaken (and paid to vendors) in prior periods. In those cases, as the payments were not previously reported as federal expenditures, they are reported on the Schedule in the period reimbursement is approved by the EGLE which is normally with the initial project cash draw.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Cost Rate

The Authority has not elected to use the 10 percent de minimis indirect cost rate.

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness identified? _____ yes

 X no

Significant deficiency identified? _____ yes

 X none reported

Noncompliance material to financial statements noted? _____ yes

 X no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes

 X no

Significant deficiency identified? _____ yes

 X none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a) of the Uniform Guidance? _____ yes

 X no

Auditee qualified as low-risk auditee? X yes

_____ no

Identification of major federal programs:

CFDA Number
66.468

Name of Federal Program or Cluster
Drinking Water State Revolving Fund Cluster – Capitalization
Grants for Drinking Water State Revolving Funds

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

 \$ 835,978

**Section II - Financial Statement Findings Required to be Reported in Accordance with
*Government Auditing Standards***

None reported.

Section III - Federal Awards Findings and Questioned Costs

None reported.

Attachment 5

Draft Baker Tilly Reporting & Insights from 2021 Audit

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**Reporting and insights
from 2021 audit:**
Great Lakes Water Authority

June 30, 2021

Executive summary

December 8, 2021

To the Board of Directors
Great Lakes Water Authority
Detroit, Michigan

We have completed our audit of the financial statements of the Great Lakes Water Authority (the "Authority") for the year ended June 30, 2021 and have issued our report thereon December 8, 2021. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Authority's operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas Great Lakes Water Authority should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization's financial stability and future planning.

If you have questions at any point, please connect with us:

- Jodi L Dobson, Partner: jodi.dobson@bakertilly.com or +1 (608) 240 2469
- Gwen Zech, Senior Manager: gwen.zech@bakertilly.com or +1 (608) 240 2443

Sincerely,

Baker Tilly US, LLP

Jodi L Dobson, CPA, Partner

Gwen Zech, CPA, Senior Manager

Table of contents

| | |
|---|-----------|
| Executive summary | 2 |
| Responsibilities | 5 |
| Audit status | 8 |
| Audit approach and results | 10 |
| Accounting changes relevant to Great Lakes Water Authority | 16 |
| Trending challenges and opportunities for organizations | 18 |
| Appendix A: Client service team | 22 |
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| Appendix C: Two-way communication regarding your audit | 33 |

THIS COMMUNICATION IS INTENDED SOLELY FOR THE INFORMATION AND USE OF THOSE CHARGED WITH GOVERNANCE, AND, IF APPROPRIATE, MANAGEMENT, AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

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Responsibilities



Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Authority's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
 - Are free from material misstatement
 - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Performing tests related to compliance with certain provisions of laws, regulations, contracts and grants, as required by *Government Auditing Standards*
- Considering internal control over compliance with requirements that could have a direct and material effect on major federal programs to design tests of both controls and compliance with identified requirements
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) about the entity's compliance with requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs.

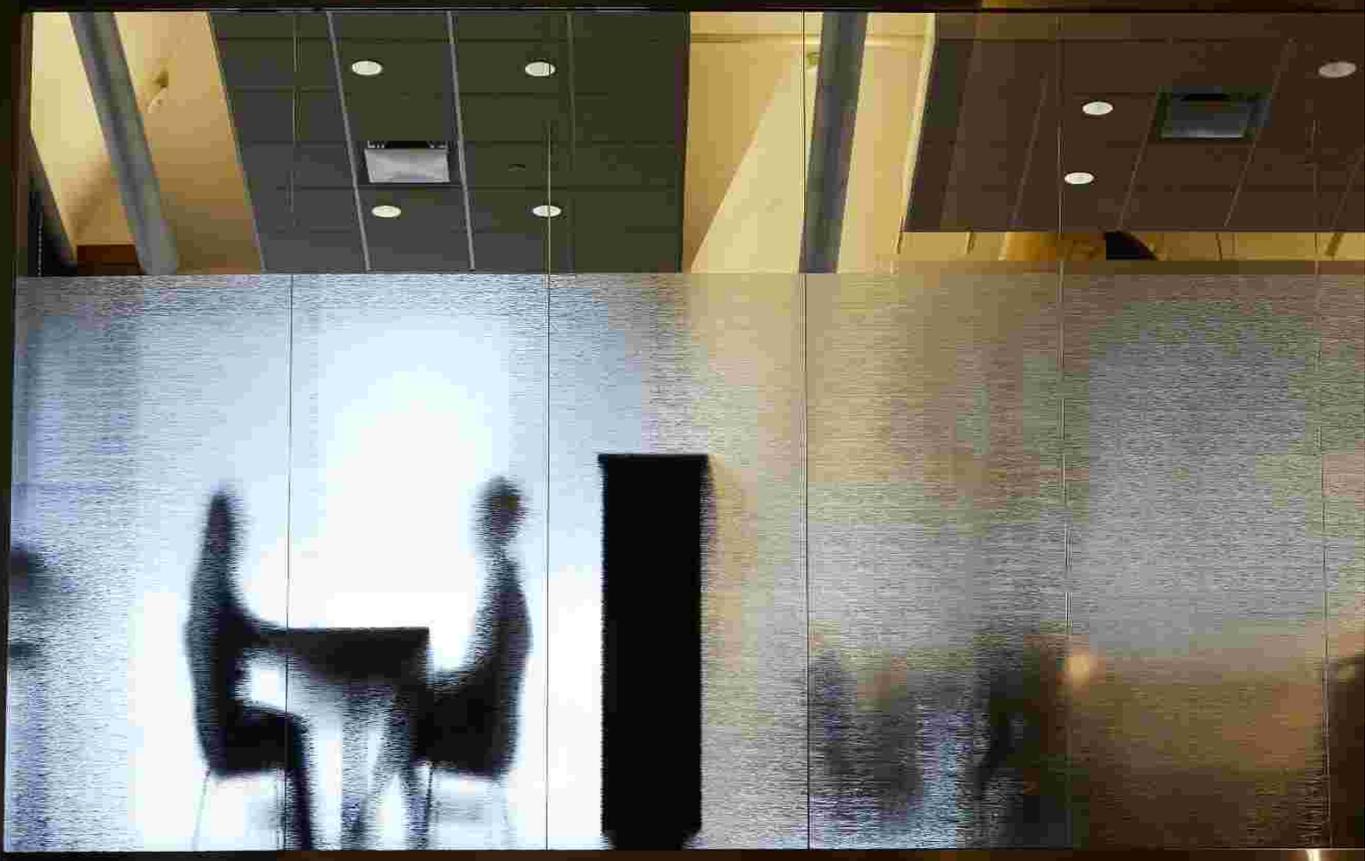
We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of the Board of Directors, including:

- Qualitative aspects of the Authority's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant difficulties encountered
- Disagreements with management
- Corrected and uncorrected misstatements
- Internal control matters
- Significant estimates
- Other findings or issues arising from the audit

Management's responsibilities

| Management | Auditor |
|--|---|
|  Prepare and fairly present the financial statements | Our audit does not relieve management or the Board of Directors of their responsibilities |
|  Establish and maintain effective internal control over financial reporting and compliance with laws, regulations, contracts and grants | An audit includes consideration of internal control over financial reporting, but not an expression of an opinion on those controls |
|  Compliance with the types of requirements described in the <i>OMB Compliance Supplement</i> | While our audit provides a reasonable basis for our opinion on compliance, it does not provide a legal determination on compliance with those requirements. |
|  Provide us with written representations at the conclusion of the audit | See Appendix B for a copy of management's representations |

Audit status



Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

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Audit approach and results



Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Authority and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Authority's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

| Significant risk areas | Testing approach | Conclusion |
|---|--|--|
| Management override of controls | Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise | Procedures identified provided sufficient evidence for our audit opinion |
| Improper revenue recognition due to fraud | Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on nonfinancial data and substantive testing of related receivables | Procedures identified provided sufficient evidence for our audit opinion |

Other key areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk but were determined to require specific awareness and a unique audit response.

| Other key areas of emphasis | Testing approach | |
|---|---------------------------|--|
| Cash and investments | Revenues and receivables | General disbursements |
| Payroll | Pension Liability | Long-term debt |
| Capital assets including intangible assets | Net position calculations | Financial reporting and required disclosures |
| Shared services with and received from DWSD | Lease payables | Due to and due from other governments |

Internal control matters

We considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1, the Authority changed accounting policies related to Leases, Fiduciary Activities and Majority Equity Interests by adopting GASB 87, GASB 84 and GASB 90, respectively in 2021. Accordingly, the accounting change has been retrospectively applied to the prior period presented. We noted no transactions entered into by the Authority during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.
- Accounting estimates: Accounting estimates, including fair value estimates, are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

| Estimate | Management's process to determine | Baker Tilly's conclusions regarding reasonableness |
|---|---|---|
| Net pension liability and related deferrals | Key assumptions set by management with the assistance of a third-party actuary | Reasonable in relation to the financial statements as a whole |
| Allowance for doubtful accounts | Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts | Reasonable in relation to the financial statements as a whole |
| Depreciation | Evaluate estimated useful life of the asset and original acquisition value | Reasonable in relation to the financial statements as a whole |
| Shared services subject to joint review and true up | Evaluation based on joint review and agreement between parties | Reasonable in relation to the financial statements as a whole |

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant difficulties encountered during the audit

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

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Disagreements with management

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

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no misstatements identified.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size or nature.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The Appendix includes copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

We will issue a separate document which contains the results of our audit procedures to comply with the Uniform Guidance.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Authority's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date the financial statements are issued or available to be issued, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the Authority that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Authority's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information which accompanies the financial statements but is not RSI. With respect to the supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America or the modified cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information, which accompanies the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

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Accounting changes relevant to Great Lakes Water Authority



Accounting changes relevant to Great Lakes Water Authority

Future accounting standards update

| GASB Statement Number | Description | Potentially Impacts you | Effective Date |
|-----------------------|---|-------------------------|----------------|
| 91 | Conduit Debt | | 6/30/23 |
| 92 | Omnibus 2020 | ✓ | 6/30/22 |
| 93 | Replacement of Interfund Bank Offered Rates | | 6/30/22 |
| 94 | Public-Private and Public-Public Partnerships and Availability Payment Arrangements | ✓ | 6/30/23 |
| 96 | Subscription-Based Information Technology Arrangements | ✓ | 6/30/23 |
| 97 | Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans | | 6/30/22 |

* The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87 which was postponed by one and a half years. The effective date reflected above is the required revised implementation date.

Further information on upcoming [GASB pronouncements](#).

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Trending challenges and opportunities for organizations



Trending challenges and opportunities for organizations

Management and governing bodies must keep the future in mind as they evaluate strategies to achieve future growth. Keeping a balance between risk and sustainability is key, and organizations need to think beyond their immediate needs to their long-term goals. Economic uncertainty, coupled with key risk areas and fast-paced technology change, make strategic planning complex. Begin the discussion with your management team to find your path to your future.

Turning toward recovery and growth

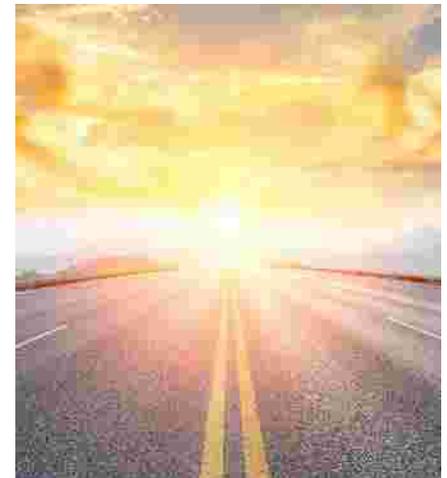
Many organizations are focusing on the strategic restart and ramp up of their operations.

With great uncertainty about what recovery will look like—or how long it will take—it is essential for your organization to understand the scenarios you may face and plan your path back to growth.

We can help you chart a way forward that will enhance and maximize your value, minimize further disruption and keep your workforce safe.

Recommendation

Follow our [road map](#) to reopen, recover and reset.



Compliance with federal awards



Challenge

The COVID-19 crisis has had a significant effect on the nation, including recipients of federal awards resulting from various congressional acts. Federal funding adds an increased level of scrutiny and brings new challenges around compliance, reporting and administration.

Finance and spending departments are operating in unprecedented times as they manage and administer these funds while also remaining economically viable, maintaining operations and adapting to the “new normal.”

Recommendation

Learn more about [compliance for federal funds](#) obtained for pandemic response efforts.

Recession proofing measures



Challenge

Ever aware of the need to balance the needs of diverse constituents against constrained revenue streams and conflicting priorities, public leaders strive to effectively deploy scarce resources while maintaining the highest levels of accountability and transparency.

In times of crisis, additional challenges emerge to maintain essential services, ensure citizen safety, protect their workforce and jumpstart programs to mitigate negative local economic impacts—all while focusing on planning for long-term effects of revenue shortages and the subsequent recovery.

Developing strategic clarity, aligning resources with priorities, strengthening performance, optimizing processes and leveraging

technology are imperative.

Recommendation

Learn about [proactive measures to insulate your organization](#) from financial hardship and to [optimize your organization's performance](#).

Recruiting and hiring

Challenge

Public sector entities in need of key workforce personnel, such as city or county managers and administrators, city or county attorneys, fire chiefs, police chiefs and other departmental directors, may find themselves in an unenviable position during a pandemic.

Organizations need the talent, but a pandemic can disrupt essential business processes and cause apprehension about access to desirable candidates.

Hiring leaders should proactively discuss what-if scenarios, evaluate short-term and long-term hiring priorities, and plan for situations where immediate recruitment is imperative.

Recommendation

Learn the key considerations and actions for [recruiting and hiring](#) in a crisis.



Risk assessment

Challenge



Organizations today manage ever-expanding priorities in a constantly evolving, disruptive risk environment. Undetected risks, insufficient internal controls and inefficient business processes may negatively impact not only the entity but also its workforce and the community at large.

Risk assessment and internal audit prove essential to identifying top risks and the appropriateness of response in order to:

- Manage risk and compliance
- Enhance governance and strategy
- Optimize operations
- Gain assurance around key functions and processes that contribute toward meeting organizational goals

Recommendation

Learn about the key considerations for the [risk assessment process and internal audit planning](#).

Economic development

Challenge

In today's complex economic landscape, communities face the daunting challenge of rebuilding their local economies. Restoring the momentum of economic expansion and investment to enhance quality of life for residents and produce long-term financial gain for the community is at the forefront of concerns.

Whether attracting growth to maximize opportunity built around community strengths or accounting for the many unknowns caused by major disruptions, a robust economic development strategy is essential to recovery.

Recommendation

Learn about the advantages of creating an [economic development strategic plan and the framework](#) to follow.



Harnessing data and analytics for strategic insight and decision-making



Challenge

In crisis and recovery, organizations are investing in advanced analytic solutions to help them not only make better decisions faster and more consistently, but also to improve operational efficiency and performance. Of all the business analytics available, advanced analytic solutions should be at the top of your priority list given the impact it can have on your business.

Recommendation

Learn more about [data & analytics strategy and roadmaps](#), [MDM and data process re-engineering](#), [AI strategy](#), [data visualization](#) and other digital and analytic capabilities.

Information technology and cybersecurity



Challenge

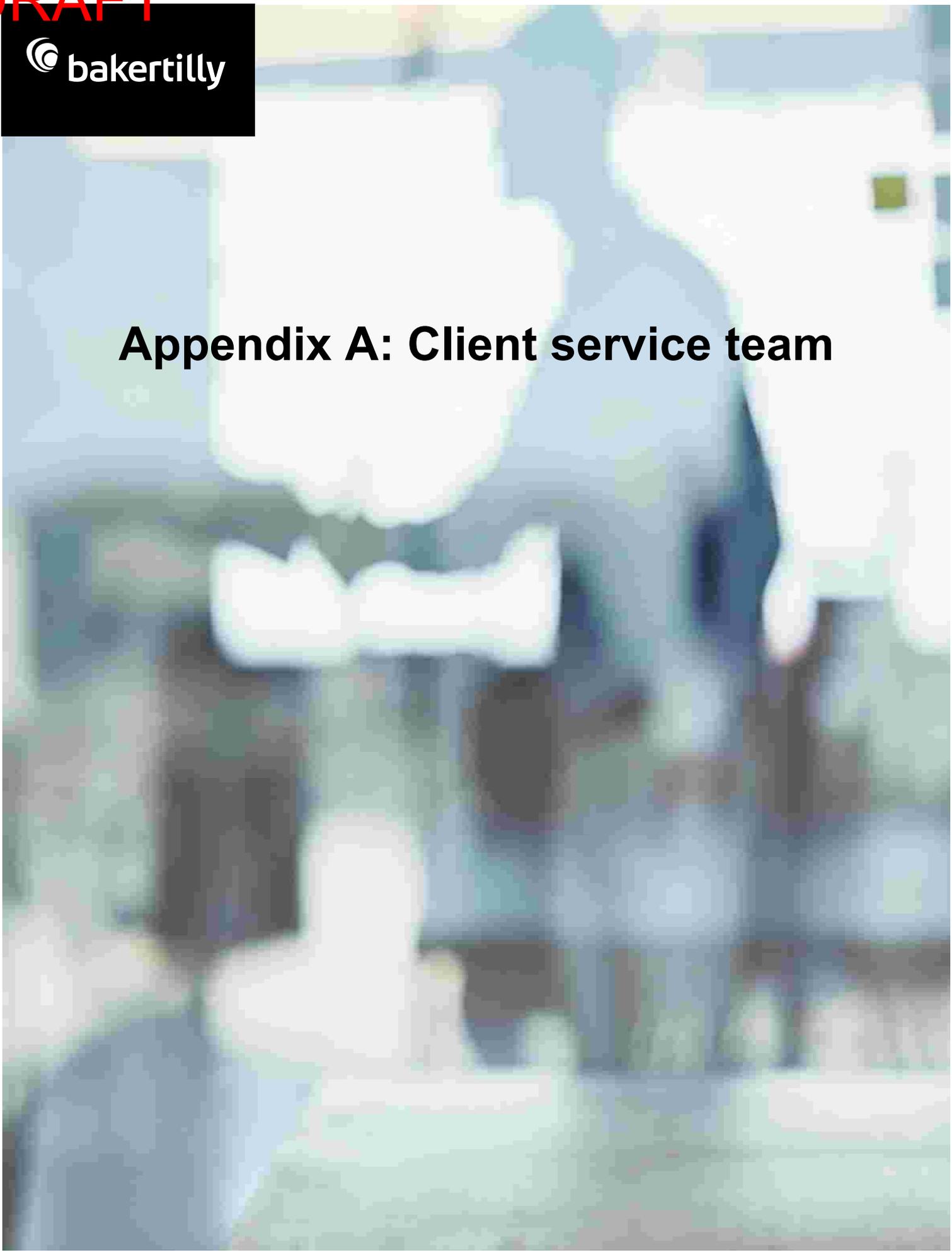
While return-to-work scenarios are being developed, it is likely that remote workforces will remain a reality for many organizations in the short- to mid-term. Though many organizations have been able to adapt on a short-term basis, some will not be prepared for long-term operation on a remote and virtual basis. Organizations should increase monitoring of invasive cyber events, given the likely increase in hackers sending out fake emails, website links and ransomware attacks – and also consider:

- Adequacy of IT controls and security
- Performance of remote infrastructure supporting operations
- Improvements to remote applications for communication, collaboration and workflow
- Alternatives for data entry, work and information flow

Recommendation

[Learn more](#) about information technology and cybersecurity, including [System & Organization Controls reporting](#).

Appendix A: Client service team



Client service team



Jodi L Dobson, CPA

Partner

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United States

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Gwen Zech, CPA

Senior Manager

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Appendix B: Management representation letter



DRAFT



December 8, 2021

Baker Tilly US, LLP
4807 Innovate Ln.
PO Box 7398
Madison, WI 53707

Dear Baker Tilly US, LLP:

We are providing this letter in connection with your audit of the financial statements of the Great Lakes Water Authority as of June 30, 2021 and for the year then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of the Great Lakes Water Authority (Authority), each major enterprise fund, and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
- 2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the Authority required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements.

- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, if any, are reasonable.
- 6) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 7) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal and state awards.
- 8) There are no known or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements, except those which have already been disclosed to you. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with accounting principles generally accepted in the United States of America.
- 9) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 12) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.

- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
- 14) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 15) There are no known related parties or related party relationships and transactions of which we are aware.

Other

- 16) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 17) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.
- 20) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 22) There are no:
 - a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
 - b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
 - c) Charges and/or rates being charged to customers other than the changes and/or rates as authorized by the applicable authoritative body.
 - d) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

- 23) The Great Lakes Water Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 24) The Great Lakes Water Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
- 25) The financial statements properly classify all funds and activities.
- 26) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 27) The Great Lakes Water Authority has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.
- 28) Provisions for uncollectible receivables, if any, have been properly identified and recorded.
- 29) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 30) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
- 31) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- 32) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
- 33) Tax-exempt bonds issued have retained their tax-exempt status.
- 34) We have appropriately disclosed the Great Lakes Water Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that changes to net position were properly recognized under the policy.
- 35) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 36) With respect to the supplementary information, (SI):
 - a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
- 37) We are responsible for the fair presentation of the Authority's net pension liability based upon calculations by the City of Detroit General Employees' Retirement System (GRS) and related amounts. We appropriately allocated the net pension liability based on the assumptions in the lease agreements, pension agreement and the allocation letter signed by the GLWA Chief Executive Officer and the Detroit Water & Sewerage Department (DWSD) Director on January 24, 2017. We have properly disclosed our special funding situation under GASB 68, *Accounting and Financial Reporting for Pension Plans*. We have reviewed the information provided by GRS for inclusion in the Authority's financial statements.
- 38) We have evaluated and considered all debt reported as defeased in substance and believe all material amounts held in trust that are not expressly prohibited from substitution in monetary assets that are not essentially risk-free are properly disclosed.
- 39) We have implemented GASB Statement No. 84, *Fiduciary Activities*, and believe that all activities that potentially meet the criteria for presentation as fiduciary activities have been identified and presented. In addition, we believe that all required disclosures and other accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard. There were no changes to reporting as a result of this implementation
- 40) We have implemented GASB Statement No. 87, *Leases*, and believe that all required disclosures and accounting considerations have been identified and properly classified in the financial statements in compliance with the Standard.
- 41) We have implemented GASB Statement No. 90, *Majority Equity Interests*, and believe that all potential agreements have been identified and properly disclosed in the financial statements in compliance with the Standard. There were no changes to reporting as a result of this implementation.
- 42) We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB 72 – *Fair Value Measurement*. In addition, our disclosures related to fair value measurements are consistent with the objectives outlined in GASB 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
- 43) We have evaluated the existing outstanding debt for potential arbitrage liability. Any potential liability has been properly recorded.

- 44) We have evaluated existing contracts and agreements and are responsible for the accounting and financial reporting of any related capital or intangible assets, liabilities, receivables or deferred items in compliance with generally accepted accounting principles.
- 45) We are responsible for compliance with the funding requirements and the flow of funds as outlined in the Master Bond Ordinance.
- 46) With respect to federal award programs:
 - a) We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
 - b) We acknowledge our responsibility for presenting the SEFA in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
 - c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
 - d) We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
 - e) We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
 - f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.

- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement relating to federal awards.
- j) We have disclosed any communications from grantors and pass-through entities disclosed to you results of our including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k) Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m) We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o) We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p) No changes have been made in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance was audited.
- q) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- s) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance.

- t) We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements to ensure that subrecipients have taken the appropriate and timely corrective action on findings.
- u) We have considered the results of subrecipient audits and made any necessary adjustments to our books and records.
- v) We have charged costs to federal awards in accordance with applicable cost principles.
- w) We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- x) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

Sincerely,

Suzanne R. Coffey, PE, Interim Chief Executive Officer

Nicolette N. Bateson, CPA, Chief Financial Officer/ Treasurer

DRAFT



Appendix C: Two-way communication regarding your audit

As part of our audit of your financial statements, we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year's audit. It is important that you understand the following points about the scope and timing of our next audit:

- a. We address the significant risks of material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. We will use such knowledge to:
 - Identify types of potential misstatements.
 - Consider factors that affect the risks of material misstatement.
 - Design tests of controls, when applicable, and substantive procedures.
- c. We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations and provisions of contracts or grant programs. For audits performed in accordance with *Government Auditing Standards*, our report will include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.
- d. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of financial statements in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the financial statements. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

Our audit will be performed in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs. For audits done in accordance with *Government Auditing Standards*, the Uniform Guidance, our report will include a paragraph that states that the purpose of the report is solely to describe (a) the scope of testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, (b) the scope of testing internal control over compliance for major programs and major program compliance and the result of that testing and to provide an opinion on compliance but not to provide an opinion on the effectiveness of internal control over compliance and, (c) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting

and compliance and the Uniform Guidance, in considering internal control over compliance and major program compliance. The paragraph will also state that the report is not suitable for any other purpose.

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the governing board has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. We anticipate that the Authority will receive an unmodified opinion on its financial statements.
- e. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- f. Have you had any significant communications with regulators or grantor agencies?
- g. Are there other matters that you believe are relevant to the audit of the financial statements?

Also, is there anything that we need to know about the attitudes, awareness and actions of the governing body concerning:

- a. The entity's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

With regard to the timing of our audit, here is some general information. If necessary, we may do preliminary financial audit work during the months of August or September. Our final financial fieldwork is scheduled during the fall to best coincide with your readiness and report deadlines. After fieldwork, we wrap up our financial audit procedures at our office and may issue drafts of our report for your review. Final copies of our report and other communications are issued after approval by your staff.

Keep in mind that while this communication may assist us with planning the scope and timing of the audit, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions on what this all means or wish to provide other feedback. We welcome the opportunity to hear from you.

Attachment 6

Draft Management Recommendations Letter

DRAFT

Baker Tilly US, LLP
4807 Innovate Ln, PO Box 7398
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United States of America

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bakertilly.com

December __, 2021

Great Lakes Water Authority
735 Randolph Street, 15th Floor
Detroit, Michigan 48226

To the Great Lakes Water Authority Audit Committee:

We are presenting, for your consideration, our comments and management recommendations which were identified during our audit of the financial statements of the Great Lakes Water Authority (Authority) for the year ended June 30, 2021.

This letter, by its nature, focuses on improvements and does not comment on the many strong areas of the Authority's systems and procedures. The comments and suggestions are not intended to reflect in any way on the integrity or ability of the personnel of Authority's operations. Additionally, this letter is meant to provide management with information which may be useful when considering operating enhancements to your operation and are provided in the spirit of advisory assistance. The comments in this report are not required as part of our annual audit but are offered only as a process to assist your operations.

Payroll Controls

Annually, significant financial processes are reviewed in detail to identify existing controls in place at the Authority. Due to the significance of the transactions which are processed through the Authority's disbursement and payroll transaction cycles, we conduct a full control assessment through sampling. Our sample is a random selection of transactions which were made during the fiscal year. Baker Tilly selected a sample of payroll transactions to review for effective controls including proper authorization and approval of employee wages, proper review and approval of employee payroll either timecards or salary wages and review of payroll prior to release of checks or direct deposit file. Below is a summary of a control deficiency which was noted in our payroll sample.

| Control Objective | Finding | Recommendation to Address Finding | Management's Response |
|---|--|---|--|
| All employee timecards should be approved | An employee sampled was paid for 8 hours of time without a supporting approved schedule. | Baker Tilly worked with GLWA management to evaluate the potential impact of and are in agreement the impact is not significant to the Authority's financial statements. We recommend management work with its software to develop an exception report for any time entered without an approved schedule. The exception report would be reviewed and approved by an appropriate individual. | The Authority will develop an exception report, in alignment with pay policy, and incorporate that into Organizational Development's standard review procedures. Exceptions will be followed up accordingly. |

DRAFT

Information Technology Overview

The focus for the 2021 Information Technology (IT) review was to continue developing our understanding of the general computer control (GCC) environment at Authority and perform detailed tests as part of our annual audit of the financial statements. This document is intended to summarize the results of our review and provide any additional guidance regarding the IT environment at Authority.

The GCC review utilized the IT Risk Assessment Standards framework to obtain a more detailed understanding of the Authority IT control environment. As part of the GCC review, the following areas related to the IT function were reviewed:

- > New system implementations and significant upgrades
- > Application changes
- > Database changes
- > Server operating system changes
- > Application access
- > Privileged access
- > Segregation of duties between administrative access and individuals operating financial systems
- > Authentication
- > User account management, new and modified access
- > User account terminations
- > User access reviews
- > Backups
- > Interfaces and automated processing

General Computer Control Findings

Below lists some of the specific GCC findings that did not warrant a management letter comment but should be considered by the Authority.

| Control Objective | IT Finding | Recommendation to Address Finding | Management's Response |
|------------------------------|---|--|--|
| Disaster recover plan | Does not have a formal disaster recovery plan | We recommend the Authority to review the drafted disaster recovery plan and formally adopt a plan. | Significant progress was completed in Spring 2021 on the draft Disaster Recovery Plan related to Application Criticality Tiers using a third party disaster recovery specialist. GLWA is in the process of implementing a new Disaster Recovery as a Service (DRaaS) model which will inform further updates to the plan to be finalized in FY 23. |

This report is intended solely for the information and use of management and others in the organization and is not intended to be, and should not be, used by anyone other than the specified parties.

We appreciate the courtesy and assistance extended to us by all your personnel during the audit. If you have any questions on our comments, or if we can offer our services in any other way during the year, please do not hesitate to contact us. Thank you for allowing us to serve you.

Sincerely,

BAKER TILLY US, LLP