



Water Fund

Fiscal Year Ended June 30, 2019

*Striving to be the preferred provider of water and
wastewater services in southeast Michigan.*

*Prepared by
Great Lakes Water Authority Financial Services Area*

GREAT LAKES WATER AUTHORITY WATER FUND

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Great Lakes Water Authority
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Water Fund (Water Fund) of the Great Lakes Water Authority, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Water Fund's 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 an opinion 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Water Fund of the Great Lakes Water Authority as of June 30, 2019 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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Water Fund and do not purport to, and do not, present fairly, the financial position of the Great Lakes Water Authority, as of June 30, 2019, and the changes in financial position, or cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to 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 financial statements, and other knowledge we obtained during our audit of the 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.

Great Lakes Water Authority Water Fund has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information. We note the significant financial events of the Water Fund are included in the Management's Discussion and Analysis of the Great Lakes Water Authority's Comprehensive Annual Financial Report.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Water Fund's financial statements. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated in all material respects, in relation to the financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Water Fund financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Prior-Year Comparative Information

The financial statements of the Water Fund, as of and for the year ended June 30, 2018, were audited by other auditors whose reported dated December 14, 2018, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 20, 2019 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.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
December 20, 2019

FINANCIAL STATEMENTS

GREAT LAKES WATER AUTHORITY WATER FUND

STATEMENT OF NET POSITION
As of June 30, 2019
With Comparative Amounts at June 30, 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 148,643,793	\$ 310,085,221
Restricted cash and cash equivalents	68,564,311	51,097,342
Restricted cash for the benefit of DWSD	2,690,397	8,418,827
Investments	198,561,135	7,004,525
Restricted investments	1,468,148	1,234,954
Receivables, net	57,941,376	61,286,484
Due from other governments	30,063,571	23,588,754
Due from sewage disposal fund	2,876,954	330,293
Contractual obligation receivable, current portion	14,328,368	13,560,086
Prepaid items and other assets	5,647,661	3,265,972
Inventories	386,612	-
Total Current Assets	531,172,326	479,872,458
Noncurrent Assets		
Restricted cash and cash equivalents	32,154,262	18,261,706
Restricted investments	77,075,423	150,436,225
Contractual obligation receivable	468,481,719	477,039,443
Prepaid lease	11,250,000	11,250,000
Assets not subject to depreciation	467,830,218	434,684,895
Capital assets being depreciated, net	1,390,765,435	1,499,118,693
Intangible asset - raw water rights, net	101,352,701	104,919,365
Prepaid insurance on debt	8,754,897	13,002,376
Total Noncurrent Assets	2,557,664,655	2,708,712,703
Total Assets	3,088,836,981	3,188,585,161
Deferred Outflows of Resources		
Deferred charge on refunding	82,508,971	94,431,823
Deferred pension amounts	11,369,496	18,645,719
Total Deferred Outflows of Resources	93,878,467	113,077,542

	2019	2018
Liabilities		
Current Liabilities		
Accounts and contracts payable	\$ 36,657,714	\$ 33,754,534
Accrued salaries, wages and benefits	4,284,220	4,734,956
Other accrued liabilities	6,481,670	12,679,692
Due to other governments	15,963,934	11,935,868
Due to sewage disposal fund	12,568	3,447,927
Interest payable	40,325,682	39,322,324
Current portion of		
Long-term debt	29,244,447	20,569,843
Leases payable	5,019,121	4,814,476
Lease obligation, raw water rights	2,520,996	2,999,458
Obligation payable	176,183	167,794
Accrued compensated absences	2,430,828	2,212,326
Accrued workers' compensation	217,480	228,239
Claims and judgments	2,290,000	2,195,000
Total Current Liabilities	<u>145,624,843</u>	<u>139,062,437</u>
Noncurrent Liabilities		
Long-term debt	2,467,177,447	2,545,529,255
Long-term leases payable	416,469,750	421,488,871
Lease obligation - raw water rights	100,720,123	103,241,118
Obligation payable	16,921,526	17,097,709
Accrued compensated absences	2,049,655	2,174,506
Accrued workers' compensation	75,000	75,000
Claims and judgments	50,000	50,000
Other noncurrent liabilities	2,804,949	2,634,471
Net pension liability	47,310,460	64,151,352
Total Noncurrent Liabilities	<u>3,053,578,910</u>	<u>3,156,442,282</u>
Total Liabilities	<u>3,199,203,753</u>	<u>3,295,504,719</u>
Deferred Inflows of Resources		
Deferred amounts for swap terminations	75,616	80,342
Deferred gain on refunding	60,317,719	59,252,431
Deferred pension amounts	-	7,260,572
Total Deferred Inflows of Resources	<u>60,393,335</u>	<u>66,593,345</u>
Net Position		
Net investment in capital assets	(166,485,092)	60,799,635
Restricted for debt service	29,731,576	23,239,368
Restricted for capital acquisition	-	140,732,216
Restricted for payment assistance program	3,369,875	2,462,214
Unrestricted (deficit)	<u>56,502,001</u>	<u>(287,668,794)</u>
TOTAL NET POSITION	<u>\$ (76,881,640)</u>	<u>\$ (60,435,361)</u>

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

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GREAT LAKES WATER AUTHORITY WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	2019	2018
Operating Revenues		
Wholesale customer charges	\$ 311,399,136	\$ 323,117,344
Local system charges	20,181,400	15,130,600
Other revenues	21,340	64,200
Total Operating Revenues	331,601,876	338,312,144
Operating Expenses		
Operating expenses before depreciation and amortization		
Personnel	42,085,546	41,845,295
Contractual services	43,083,078	35,794,549
Utilities	26,247,858	26,871,081
Chemicals	5,088,827	4,804,768
Supplies and other expenses	11,797,279	9,543,615
Capital program allocation	(2,054,913)	(713,779)
Shared services allocation	(6,425,729)	(9,615,146)
Total operating expenses before depreciation and amortization	119,821,946	108,530,383
Depreciation	140,571,120	143,991,815
Amortization of intangible asset - raw water rights	3,566,664	2,080,554
Total Operating Expenses	263,959,730	254,602,752
Operating Income	67,642,146	83,709,392
Nonoperating Revenues (Expenses)		
Earnings on investments	14,754,401	6,129,530
Interest on loan and obligations receivable	22,921,380	23,351,220
Interest expense	(136,704,033)	(139,343,204)
Amortization of debt related items and cost of issuance	10,771,937	13,837,585
Legacy pension expense	6,014,441	(8,933,691)
WRAP (Water Residential Assistance Program)	(855,455)	(1,506,554)
Other	114,136	(544,813)
Loss on disposal of capital assets	(435,095)	(6,225)
Loss on impairment of capital assets	(670,137)	(654,451)
Total Nonoperating Expenses	(84,088,425)	(107,670,603)
Change in net position	(16,446,279)	(23,961,211)
NET POSITION (DEFICIT), Beginning of Year	(60,435,361)	(36,474,150)
NET POSITION (DEFICIT), END OF YEAR	\$ (76,881,640)	\$ (60,435,361)

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

GREAT LAKES WATER AUTHORITY WATER FUND

STATEMENT OF CASH FLOWS For the Year Ended June 30, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	2019	2018
Cash Flows From Operating Activities		
Cash received from customers	\$ 328,436,149	\$ 345,806,584
Cash payments to suppliers for goods and services	(84,824,957)	(74,885,689)
Cash payments for employee services	(39,961,460)	(40,069,277)
Cash received (paid) for interfund services	(5,982,020)	3,117,634
Cash payments to other governments for:		
MOU and bifurcation liabilities	-	(13,968,170)
B&C obligation payable	(875,510)	(3,187,796)
Cash payments for WRAP	(855,455)	(1,506,554)
Cash payments for GLWA share pension agreement	(11,440,800)	(11,440,800)
Cash received for DWSD nonoperating pension	4,427,400	4,827,211
Cash paid for DWSD nonoperating pension	(4,427,393)	(5,650,328)
Cash received for DWSD WRAP	387,600	448,200
Cash payments for DWSD WRAP	(217,122)	(395,805)
Cash received for DWSD budgetary surplus (shortfall)	2,172,907	8,613,320
DWSD budgetary surplus cash transferred to DWSD I&E fund	(8,407,080)	-
Nonoperating cash received	340,044	50,886
Principal payments received on obligation receivable	13,457,925	11,946,700
Interest received on obligation receivable	23,456,175	23,472,763
Payments of state revolving fund loan proceeds to DWSD	(5,855,865)	(9,968,428)
Net Cash Provided by Operating Activities	209,830,538	237,210,451
Cash Flows From Noncapital Financing Activities		
Proceeds from state revolving fund loans for DWSD	5,855,865	9,529,926
Principal payments	(13,424,300)	(11,946,700)
Interest payments	(23,006,043)	(23,450,783)
Net Cash Provided by (Used in) Noncapital Financing Activities	(30,574,478)	(25,867,557)
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of assets	1,712	650
Proceeds from issuance of long-term refunding debt	175,326,395	-
Proceeds from state revolving fund loans	429,256	3,003,520
(Payments) returns of bond issuance costs	(1,188,906)	18,000
Principal payments on bonds	(208,450,699)	(45,548,300)
Principal payments on lease	(4,814,476)	(4,618,174)
Interest payments	(108,143,636)	(112,772,942)
Purchase of capital assets	(63,783,192)	(38,642,987)
Net Cash Used in Capital and Related Financing Activities	(210,623,546)	(198,560,233)

	<u>2019</u>	<u>2018</u>
Cash Flows From Investing Activities		
Investment purchases	\$ (500,982,207)	\$ (419,794,161)
Investment maturities	388,180,107	284,500,479
Interest received	<u>8,359,253</u>	<u>4,909,839</u>
Net Cash Used in Investing Activities	<u>(104,442,847)</u>	<u>(130,383,843)</u>
Net change in cash and cash equivalents	(135,810,333)	(117,601,182)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>387,863,096</u>	<u>505,464,278</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 252,052,763</u>	<u>\$ 387,863,096</u>
STATEMENT OF NET POSITION CLASSIFICATION OF CASH		
Cash and cash equivalents	\$ 148,643,793	\$ 310,085,221
Restricted cash and cash equivalents	68,564,311	51,097,342
Restricted cash for the benefit of DWSD	2,690,397	8,418,827
Noncurrent restricted cash and cash equivalents	<u>32,154,262</u>	<u>18,261,706</u>
	<u>\$ 252,052,763</u>	<u>\$ 387,863,096</u>
NONCASH FINANCING AND INVESTMENT ACTIVITIES		
Decrease in lease liability raw water rights	<u>\$ 2,999,457</u>	
Change in unrealized gain on investments	<u>\$ 3,096,124</u>	
Interest expense lease raw water rights	<u>\$ 4,225,950</u>	
Amortization expense	<u>\$ (11,960,843)</u>	

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

GREAT LAKES WATER AUTHORITY WATER FUNDSTATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

With Comparative Amounts for the Year Ended June 30, 2018

	2019	2018
Reconciliation of Operating Income to Net		
Cash Provided by Operating Activities:		
Operating income	\$ 67,642,146	\$ 83,709,392
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	140,571,120	143,991,815
Amortization of intangible asset - raw water rights	3,566,664	2,080,554
Credits for raw water rights	(6,979,503)	(3,176,073)
Miscellaneous nonoperating income (expense)	340,044	50,886
Legacy pension expense and administrative fee	5,788,533	(9,329,667)
WRAP (Water Residential Assistance Program)	(855,455)	(1,506,554)
Loan forgiveness pass-through to DWSD	(85,221)	(2,534,779)
Interest income on contractual obligation receivable	22,921,380	23,351,220
Interest expense on obligation payable	(659,086)	(709,737)
Changes in:		
Receivables	3,345,108	(227,965)
Due from other governments	(6,474,817)	(2,261,041)
Due from sewage disposal fund	(2,546,661)	5,081,793
Contractual obligation receivable	7,789,442	(330,293)
Prepaid items and other assets (excludes investing item)	(1,613,442)	(439,276)
Inventories	(386,612)	-
Accounts and contracts payable (excludes capital items)	216,244	(3,580,141)
Accrued salaries, wages and benefits	(450,736)	1,544,918
Other accrued liabilities (excludes capital items)	(6,198,022)	11,325,876
Due to other governments (excludes non-capital financing)	4,028,066	(13,457,945)
Due to sewage disposal fund	(3,435,359)	3,447,927
Obligation payable including accrued interest	(216,424)	(159,803)
Accrued compensated absences	93,651	(59,181)
Accrued workers' compensation	(10,759)	53,239
Claims and judgments	95,000	2,170,000
Other noncurrent liabilities	170,478	52,395
Net pension liability and deferred items	(16,825,241)	(1,877,109)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 209,830,538</u>	<u>\$ 237,210,451</u>

NONCASH TRANSACTIONS

During the year the Authority applied credits to the City of Flint water billings totaling \$6,979,503 for payments made by the City of Flint on their KWA bonds obligation. These credits are recorded as payments on the raw water lease rights which have been recorded as an intangible asset and a lease obligation payable.

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

NOTES TO FINANCIAL STATEMENTS

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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 Water Fund (Water Fund) separately accounts for activities of the Authority for the operation of the water system. 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 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 WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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 for its financial statements which consists of a statement of net position, statement of revenues, expenses and changes in net position, and a statement of cash flows.

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 Deposits 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.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Cash Deposits and Investments (cont.)

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.

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 5 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 Water Fund recognizes an estimate of uncollectible accounts for its customer accounts receivable related to its water services.

Due from Other Governments

Amounts owed to the Authority by DWSD for shared services and accrued interest receivable on the contractual obligation receivable.

Due to and Due from Sewage Disposal Fund

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 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 and DWSD is also included in the contractual obligation receivable.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

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 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 13, 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.

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.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Capital Assets (cont.)

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 Asset - Raw Water Rights

The Authority has recorded an intangible asset for raw water rights which is being amortized on a straight-line basis over 30 years. See Note 8 for a description of these rights.

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 the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension amounts can be found in Note 16.

Other Accrued Liabilities

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

Current

- 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 WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

Other Accrued Liabilities (cont.)

Noncurrent

- Under the terms of the MBO, the Authority retains cash on hand for the benefit of DWSD for budget stabilization funds to be used if DWSD has cash shortfalls.
- DWSD's local share of the Water Residential Assistance Program (WRAP) funds that have not been remitted to the administrator of the WRAP program.

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, 2019.

Long-Term Debt

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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.

Leases Payable

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 13 for the details of the regional system leases.

Lease Obligation - Raw Water Rights

The Authority has recorded a liability for the lease obligation on its raw water rights. See Note 14 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 11.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (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 \$2,291,000 for the Water Fund on June 30, 2019.

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, 2019 balance of the accrued compensated absences for the liability assumed on January 1, 2016 is approximately \$2,190,000 of which \$140,000 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 includes the employers' share of Social Security and Medicare taxes.

Claims and Judgements

The Authority has accrued in its financial statements for known asserted claims in which future settlements may be necessary.

Net Pension Liability

Under the terms of the Regional System leases, the Authority participates 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 17 for additional information on the net pension liability.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (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 amounts on swap terminations, deferred gain on refunding and pension inflows in this reporting category. 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. 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. Deferred pension inflows result when there is a change in total pension liability due to benefit changes, differences between expected and actual experience, changes in actuarial assumptions, or differences between expected and actual investment returns. The amount for the changes in actuarial assumptions is deferred and amortized over the estimated remaining service life. The amount for the difference between actual and projected assumptions in investment earnings is deferred and amortized over five years.

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.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (cont.)

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 Water Fund are wholesale charges for providing water. The local system charges are the wholesale 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 \$1,233,931 for the Water Fund.

Operating expenses include the direct costs of operating the water system, centralized support, utilities, administrative expenses and depreciation on capital assets. Costs related to shared facilities and personnel are allocated to the Water and Sewage Disposal Funds on a basis that relates costs incurred to the system benefited. By agreement, the Authority provides shared services to DWSD, which are shown as a reduction to operating expenses.

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

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 Obligations Receivable

Interest income is the interest earned on 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.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (cont.)

Legacy Pension Expense

GLWA is legally responsible for making substantial contributions to a legacy pension plan of another entity, see Note 17 for additional information on this Plan.

Centralized Services and Administrative Services

Various common costs incurred by the Authority are allocated between the Water and Sewerage Disposal Funds. The allocations are based on an annual cost allocation analysis and may change from year to year based upon that analysis. The following table shows the allocation of these common costs for the year ended June 30, 2019:

<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	43.3%	\$ 35,961,327	56.7%	\$ 47,102,279	\$ 83,063,606
Administrative services	50.0%	12,559,593	50.0%	12,559,594	25,119,187

Centralized services includes security, systems operations control, field engineering and service operations, facilities and fleet operations, information technology, planning, asset management, energy management, and system analytics service costs.

Administrative services includes executive, public affairs, general counsel, organizational development, risk management, finance, procurement, and other service costs.

Use of Estimates

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

Effect of New Accounting Standards on Current Period Financial Statements

GASB Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including direct borrowings and Direct Placements* became effective for years beginning after June 15, 2018. Both of these have been implemented during the fiscal year.

GASB has approved GASB Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 90, *Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*, and Statement No. 91, *Conduit Debt Obligations*. When they become effective, application of these standards may restate portions of these financial statements.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (cont.)

Reclassifications

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

NOTE 2 – BUDGETARY INFORMATION

The financial activity of the Authority is presented in two enterprise funds, which are not required under State statutes to adopt appropriated budgets. Budget to actual schedules for revenues and expenses are presented in the other 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, which shall be a common-to-all charge equal to 0.5% of the base budgeted operating revenues for the regional water and sewerage disposal systems for each fiscal year; 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 sewerage 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 sewerage 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 sewerage disposal system as provided in the Water and Sewer Services Agreement.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 2 – BUDGETARY INFORMATION (cont.)

SCHEDULE OF CHARGES PROCESS

The GLWA Wholesale Customer Model Water 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 a proposed charges take effect.

The Water and Sewer Services Agreement between GLWA and DWSD requires that GLWA provides 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.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The deposits and investments of the Water Fund at June 30, 2019 are reported in the financial statements as follows:

Statement of Net Position	
Cash and cash equivalents	\$ 148,643,793
Restricted cash and cash equivalents	68,564,311
Restricted cash for the benefit of DWSD	2,690,397
Investments	198,561,135
Restricted investments	1,468,148
Noncurrent restricted cash and cash equivalents	32,154,262
Noncurrent restricted investments	<u>77,075,423</u>
Total	<u>\$ 529,157,469</u>
 Cash Deposits and Investments	
Bank deposits – checking and savings accounts	\$ 77,301,325
Money market accounts	174,751,438
Investments in securities	<u>277,104,706</u>
Total	<u>\$ 529,157,469</u>

CUSTODIAL CREDIT RISK – DEPOSITS AND MONEY MARKET ACCOUNTS

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 \$252,052,763 for the Water Fund. The bank balance of the Water Fund deposits and money markets was \$258,592,087 of which \$193,390,625 was uninsured and uncollateralized.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

CUSTODIAL CREDIT RISK – DEPOSITS AND MONEY MARKET ACCOUNTS (cont.)

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.

CUSTODIAL CREDIT RISK – INVESTMENTS

Following is a summary of the Water Fund's investments as of June 30, 2019:

U.S. treasury notes	\$	180,884,382
U.S. government agencies		85,335,431
Commercial paper		<u>10,884,893</u>
Total	\$	<u>277,104,706</u>

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.

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, 2019, all of the Water Fund's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's. The Water Fund's 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 Water Fund's money market accounts were not rated.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (cont.)

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. The Authority's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer.

At June 30, 2019, the Water Fund had greater than 5% of its total investment portfolio concentrated as follows:

Investment Type	Issuer	% of Portfolio
U.S. government agencies	Federal Home Loan Bank	6.77%
U.S. government agencies	Federal National Mortgage Association	11.05%
U.S. government agencies	Federal Home Loan Mortgage Company	12.97%

INTEREST RATE RISK

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of June 30, 2019, the Water Fund's fixed income investments had the following maturities:

	< 1 Year	1-5 Years	Total
U.S. treasury notes	\$ 129,722,994	\$ 51,161,388	\$ 180,884,382
U.S. government agencies	37,265,542	48,069,889	85,335,431
Commercial paper	10,884,893	-	10,884,893
Total	<u>\$ 177,873,429</u>	<u>\$ 99,231,277</u>	<u>\$ 277,104,706</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

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 hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted at prices in active markets for identical assets; Level 2 inputs are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals; and Level 3 inputs are unobservable in the market and are the least reliable. The Water Fund had the following fair value measurements as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments by fair value level:			
U.S. treasury notes	\$ 180,884,382	\$ -	\$ 180,884,382
U.S. government agencies	-	85,335,431	85,335,431
Commercial paper	-	10,884,893	10,884,893
Total	<u>\$ 180,884,382</u>	<u>\$ 96,220,324</u>	<u>\$ 277,104,706</u>

The fair value of U.S. treasury and U.S. government agencies at June 30, 2019 was based primarily on Level 2 inputs. The Authority estimates the fair value of these securities using other inputs such as interest rates and yield curves, which are observable at commonly quoted intervals.

The Water Fund has investments in commercial paper that meets the criteria to be valued at amortized cost at June 30, 2019.

The Water Fund has no Level 3 inputs at June 30, 2019.

NOTE 4 – RECEIVABLES

The following is a summary of the net receivables as of June 30, 2019:

Receivables, net:	
Billed	\$ 38,336,701
Unbilled	26,144,348
Other	<u>916,074</u>
Subtotal	65,397,123
Allowance for doubtful accounts	<u>(7,455,747)</u>
Total	<u>\$ 57,941,376</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 5 – 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.

The following schedule provides, in the order of the flow of funds per the Master Bond Ordinance, the assignment of cash and investments between restricted and unrestricted assets based on the source of the monies as of June 30, 2019.

	Funded from Revenue and Other		Funded from Debt Issuance	Total
	Unrestricted	Restricted	Restricted	
Receiving fund	\$ 34,865,219*	\$ -	\$ -	\$ 34,865,219
Operations and maintenance	20,055,850	10,289,450**	-	30,345,300
Senior lien debt service	-	26,694,004	-	26,694,004
Senior lien bond reserve	-	-	122,941,685	122,941,685
Second and junior lien debt service	-	23,371,892	-	23,371,892
Second and junior lien debt reserve	-	-	50,926,122	50,926,122
Pension obligation	-	399,274	-	399,274
Water residential assistance program (WRAP)	-	4,174,823	-	4,174,823
Budget stabilization	-	2,009,454	-	2,009,454
Extraordinary repair and replacement	27,698,977	-	-	27,698,977
Improvement and extension – regional	264,584,882	-	-	264,584,882
Subtotal – Reserves Defined by Ordinance	347,204,928	66,938,897	173,867,807	588,011,632
Less: Funded by surety (noncash)	-	-	(153,876,443)	(153,876,443)
Total – Reserves Defined by Ordinance (net of surety coverage)	347,204,928	66,938,897	19,991,364	434,135,189
Cash held for the benefit of DWSD	-	2,690,397	-	2,690,397
Unspent construction bond proceeds	-	9,277,840***	83,054,043	92,331,883
Total Cash, Cash Equivalents and Investments	\$ 347,204,928	\$ 78,907,134	\$ 103,045,407	\$ 529,157,469

*Balance for July 1, 2019 required transfers

**Construction retainage and deposits

*** Amount for current liabilities related to construction funds

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 5 – RESTRICTED ASSETS (cont.)

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

Restricted assets from schedule above:	
From revenue and other	\$ 78,907,134
From debt issuance	103,045,407
Amounts payable to liabilities and debt	<u>(148,851,090)</u>
Restricted Net Position	<u>\$ 33,101,451</u>
Restricted net position for:	
Debt service	\$ 29,731,576
Payment assistance program	<u>3,369,875</u>
Total	<u>\$ 33,101,451</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
Cash and cash equivalents	\$ 148,643,793	\$ 68,564,311	\$ 32,154,262	\$ 249,362,366
Cash held for the benefit of DWSD	-	2,690,397	-	2,690,397
Investments	<u>198,561,135</u>	<u>1,468,148</u>	<u>77,075,423</u>	<u>277,104,706</u>
Total	<u>\$ 347,204,928</u>	<u>\$ 72,722,856</u>	<u>\$ 109,229,685</u>	<u>\$ 529,157,469</u>

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 WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 6 – DUE FROM OTHER GOVERNMENTS

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

Billed shared services	\$	27,943,152
Unbilled shared services		2,038,618
Accrued interest on obligation receivable		<u>81,801</u>
 Total	 \$	 <u>30,063,571</u>

NOTE 7 – INTERFUND RECEIVABLES AND PAYABLES

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, 2019 consisted of the following:

	Water Fund - Due from Sewage Disposal Fund	Sewage Disposal Fund - Due from Water Fund	Total Due to - Due from
Water Fund - Due to Sewage Disposal Fund	\$ -	\$ 12,568	\$ 12,568
Sewage Disposal Fund - Due to Water Fund	<u>2,876,954</u>	<u>-</u>	<u>2,876,954</u>
 Total	 <u>\$ 2,876,954</u>	 <u>\$ 12,568</u>	 <u>\$ 2,889,522</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019 was as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Nondepreciable capital assets					
Land	\$ 34,166,736	\$ -	\$ -	\$ -	\$ 34,166,736
Easements	258,632,397	-	-	-	258,632,397
Construction in progress	141,885,762	61,531,868	-	(28,386,545)	175,031,085
Total Nondepreciable Assets	<u>434,684,895</u>	<u>61,531,868</u>	<u>-</u>	<u>(28,386,545)</u>	<u>467,830,218</u>
Depreciated capital assets					
Site improvements	72,997,639	1,945,597	(87,702)	285,257	75,140,791
Buildings and structures	565,935,211	16,510	(11,076)	4,884,421	570,825,066
Infrastructure	608,034,346	-	-	17,913,633	625,947,979
Machinery and equipment	608,518,357	2,637,142	(1,511,144)	5,272,353	614,916,708
Vehicles	2,204,434	143,393	-	-	2,347,827
Leasehold improvements	272,983	195,620	-	30,881	499,484
Total Depreciable Assets	<u>1,857,962,970</u>	<u>4,938,262</u>	<u>(1,609,922)</u>	<u>28,386,545</u>	<u>1,889,677,855</u>
Less: Accumulated depreciation					
Site improvements	(22,878,426)	(8,943,257)	32,482	-	(31,789,201)
Buildings and structures	(88,557,341)	(30,951,600)	11,071	-	(119,497,870)
Infrastructure	(94,336,258)	(38,046,908)	-	-	(132,383,166)
Machinery and equipment	(151,955,265)	(62,312,661)	459,424	-	(213,808,502)
Vehicles	(1,110,622)	(297,608)	-	-	(1,408,230)
Leasehold improvements	(6,365)	(19,086)	-	-	(25,451)
Total Accumulated Depreciation	<u>(358,844,277)</u>	<u>(140,571,120)</u>	<u>502,977</u>	<u>-</u>	<u>(498,912,420)</u>
Total Capital Assets Being Depreciated, Net	<u>1,499,118,693</u>	<u>(135,632,858)</u>	<u>(1,106,945)</u>	<u>-</u>	<u>1,390,765,435</u>
Intangible asset – raw water rights	106,999,919	-	-	-	106,999,919
Less: Accumulated amortization	(2,080,554)	(3,566,664)	-	-	(5,647,218)
Total Intangible Assets, Net	<u>104,919,365</u>	<u>(3,566,664)</u>	<u>-</u>	<u>-</u>	<u>101,352,701</u>
Net Capital and Intangible Assets	<u>\$ 2,038,722,953</u>	<u>\$ (77,667,654)</u>	<u>\$ (1,106,945)</u>	<u>\$ -</u>	<u>\$ 1,959,948,354</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 8 – CAPITAL ASSETS (cont.)

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. The Authority recorded impairments of \$670,137 in the Water Fund.

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 long-term lease 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 9 – OTHER ACCRUED LIABILITIES

As described in Note 1, other accrued liabilities in the statement of net position as of June 30, 2019 are as follows:

<u>Current</u>	
Cash held for the benefit of DWSD	\$ 2,690,398
Customer deposit	<u>3,791,272</u>
Total	<u>\$ 6,481,670</u>
<u>Noncurrent</u>	
Cash held for the benefit of DWSD budget stabilization	\$ 2,000,000
DWSD local system WRAP	<u>804,949</u>
Total	<u>\$ 2,804,949</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 10 – 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:

Shared services	<u>\$ 15,963,934</u>
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NOTE 11 – LONG-TERM DEBT

Changes in long-term debt and accrued compensated absences for the year ended June 30, 2019 were as follows:

	Beginning Balance	Increase	Decrease*	Debt Forgiveness	Ending Balance	Due Within One Year
Revenue bonds	\$ 2,284,825,000	\$ 155,595,000	\$ (220,100,000)	\$ -	\$ 2,220,320,000	\$ 10,205,000
State revolving loan	25,435,902	6,285,121	(1,775,000)	(85,221)	29,860,802	1,930,000
Total Installment Debt	<u>2,310,260,902</u>	<u>161,880,121</u>	<u>(221,875,000)</u>	<u>(85,221)</u>	<u>2,250,180,802</u>	<u>12,135,000</u>
Deferred amounts for:						
Unamortized premiums	268,572,987	19,731,395	(31,514,167)	-	256,790,215	18,519,264
Unamortized discounts	(12,734,791)	-	2,185,668	-	(10,549,123)	(1,586,000)
Total Debt, Net	<u>2,566,099,098</u>	<u>181,611,516</u>	<u>(251,203,499)</u>	<u>(85,221)</u>	<u>2,496,421,894</u>	<u>29,068,264</u>
Obligation payable	17,265,503	-	(167,794)	-	17,097,709	176,183
Compensated absences	<u>4,386,832</u>	<u>3,287,950</u>	<u>(3,194,299)</u>	<u>-</u>	<u>4,480,483</u>	<u>2,430,828</u>
 Total	 <u>\$ 2,587,751,433</u>	 <u>\$ 184,899,466</u>	 <u>\$ (254,565,592)</u>	 <u>\$ (85,221)</u>	 <u>\$ 2,518,000,086</u>	 <u>\$ 31,675,275</u>

* Of the \$220,100,000 decrease in the revenue bonds, \$178,735,000 relates to refundings. Of the \$31,514,167 decrease in unamortized premiums, \$12,709,616 relates to refundings.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 11 – LONG-TERM DEBT (cont.)

As of June 30, 2019, aggregate debt service requirements of the Authority's debt (fixed rate) instruments were as follows.

Year Ended June 30	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2020	\$ 10,205,000	\$ 93,644,692	\$ 1,930,000	\$ 676,354	\$ 106,456,046
2021	60,940,000	109,295,725	1,975,000	643,797	172,854,522
2022	68,125,000	106,069,100	2,020,000	599,528	176,813,628
2023	67,730,000	102,671,700	2,070,000	554,131	173,025,831
2024	75,250,000	99,092,600	2,110,000	507,731	176,960,331
2025 - 2029	437,205,000	433,302,944	7,928,761	1,877,381	880,314,086
2030 - 2034	569,940,000	308,796,063	2,975,000	1,345,879	883,056,942
2035 - 2039	481,875,000	166,050,556	3,365,000	956,566	652,247,122
2040 - 2044	290,780,000	74,025,625	3,773,543	516,004	369,095,172
2045 - 2048	158,270,000	12,127,500	1,713,498	105,829	172,216,827
Total	\$ 2,220,320,000	\$ 1,505,076,505	\$ 29,860,802	\$ 7,783,200	\$ 3,763,040,507

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, 2019 are not included in the debt service requirements amounts above as they were paid on June 24, 2019.

REVENUE BONDS PAYABLE

Net revenues of the Authority are pledged to repayment of bonds; following are the revenue bonds payable at June 30, 2019:

Issue	Bond Date	Original Issue Amount	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance	Callable
Series 2003A	1/30/03	\$ 234,805,000	5.00%	7/01/34	\$ 100,000	c
Series 2003B	1/30/03	172,945,000	5.00%	7/01/34	100,000	c
Series 2005B	5/14/08	175,830,000	5.25%	7/01/35	100,000	c
Series 2006A	8/16/06	237,205,000	5.00%	7/01/34	100,000	c
Series 2006B	4/01/09	900,000	5.00%	7/01/19	100,000	
Series 2006B	4/01/09	119,100,000	6.25%	7/01/36	100,000	c
Series 2011A	12/22/11	37,880,000	5.00%	7/01/19-20	4,365,000	
Series 2011A	12/22/11	341,710,000	5.00-5.75%	7/01/27-41	289,605,000	c
Series 2011B	12/22/11	7,455,000	5.00%	7/01/19-21	1,655,000	
Series 2011B	12/22/11	9,740,000	6.00%	7/01/22-33	2,295,000	c
Series 2011C	12/22/11	3,925,000	5.00%	7/01/21	1,020,000	
Series 2011C	12/22/11	99,965,000	4.50-5.25%	7/01/23-41	74,125,000	c

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 11 – LONG-TERM DEBT (cont.)

REVENUE BONDS PAYABLE (cont.)

Issue	Bond Date	Original Issue Amount	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance	Callable
Series 2014D-1	9/04/14	\$ 162,350,000	5.00%	7/01/19-23	\$ 145,685,000	
Series 2014D-1	9/04/14	44,190,000	5.00%	7/01/35-37	44,190,000	c
Series 2014D-2	9/04/14	51,530,000	5.00%	7/01/23-24	51,530,000	
Series 2014D-2	9/04/14	136,925,000	5.00%	7/01/25-28	136,925,000	c
Series 2014D-3	9/04/14	62,700,000	5.00%	7/01/20	1,390,000	
Series 2014D-4	9/04/14	209,360,000	5.00%	7/01/29-34	209,360,000	c
Series 2014D-6	9/04/14	21,735,000	5.00%	7/01/20-24	18,925,000	
Series 2014D-6	9/04/14	43,690,000	5.00%	7/01/25-36	43,690,000	c
Series 2015D-1	12/15/15	20,155,000	5.00%	7/01/20-22	15,050,000	
Series 2015D-1	12/15/15	69,275,000	5.00%	7/01/27-35	69,275,000	c
Series 2015D-2	12/15/15	37,235,000	5.00%	7/01/34	37,235,000	c
Series 2016A	10/27/16	30,000	5.00%	7/01/21-26	30,000	
Series 2016A	10/27/16	87,970,000	5.00%	7/01/27-46	87,970,000	c
Series 2016B	10/27/16	30,000	5.00%	7/01/21-26	30,000	
Series 2016B	10/27/16	163,800,000	5.00%	7/01/27-46	163,800,000	c
Series 2016C	10/27/16	76,245,000	5.00%	7/01/22-26	76,245,000	
Series 2016C	10/27/16	367,685,000	5.00-5.25%	7/01/27-35	367,685,000	c
Series 2016D	10/27/16	4,665,000	5.00%	7/01/24-26	4,665,000	
Series 2016D	10/27/16	217,380,000	4.00-5.00%	7/01/27-36	217,380,000	c
Series 2018A	10/3/18	155,595,000	5.00%	7/01/19-29	<u>155,595,000</u>	
Total Revenue Bonds Payable					<u>\$2,220,320,000</u>	

Maturity dates reflect the final pricing of each series of bonds. Multiple maturity date ranges for a series of bonds differentiate between those bonds which are callable prior to maturity and those which are not callable prior to maturity.

c Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 11 – LONG-TERM DEBT (cont.)

REVENUE BONDS – 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. Net revenues are defined in the Great Lakes Water Authority Water Master Bond Ordinance 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 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, 2019 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 term of pledge commitment for the water bonds is through 2048.

See table below for pledged revenue coverage as of June 30, 2019:

Remaining principal and interest requirement	\$ 3,763,040,507
Principal and interest funding requirement for the year ending June 30, 2019 (computed consistent with rate covenant basis for rate determination purposes. Not applicable for purpose of additional bond test)	\$ 167,966,455
Pledged revenue for the year ending June 30, 2019	\$ 242,758,638
Pledged revenue collected as a percentage of funding requirement	144.5%

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 11 – LONG-TERM DEBT (cont.)

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. Net revenues of the Authority are pledged to repayment of bonds. The following is a schedule of the state revolving loans payable at June 30, 2019:

Issue	Bond Date	Amount Issued	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance
Series 2005 SRF-1	9/22/05	\$ 13,805,164	2.125%	10/01/19-26	\$ 6,025,164
Series 2005 SRF-2	9/22/05	8,891,730	2.125%	10/01/19-26	3,791,730
Series 2006 SRF-1	9/21/06	5,180,926	2.125%	10/01/19-26	2,240,926
Series 2008 SRF-1	9/29/08	2,590,941	2.50%	10/01/19-28	1,030,941
Series 2016 SRF-1	9/16/16	8,273,168	2.50%	4/01/20-48	8,053,168
Series 2016 SRF-2	9/16/16	3,393,543	2.50%	4/01/20-44	3,298,543
Series 2017 SRF-1	6/23/17	6,675,000	2.50%	10/1/19-44	5,420,330
Series 2019 SRF-1	6/7/19	8,330,000	2.00%	-	-
Total State Revolving Loans Payable					<u>\$ 29,860,802</u>

The state revolving loans are issued as part of the State of Michigan's Revolving Fund Loan Program. As GLWA draws additional amounts from time to time hereafter, the outstanding principal amounts of such bonds will correspondingly increase. All loans are callable under terms specified in the loan agreements.

REFUNDED DEBT

In prior years, the Authority's Water 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, 2019, the balance of the bonds considered to be defeased are \$85,250,000 for Series 2006B revenue bonds. These bonds were called July 1, 2019.

On October 3, 2018 the Authority issued \$155,595,000 in Series 2018A second lien revenue bonds. The net proceeds of the bonds were used to purchase securities that were placed in an irrevocable trust with an escrow agent to refund \$178,735,000 Series 2001C revenue bonds which were called on October 6 2019. The refunding resulted in a savings of \$30,880,652 over the next 11 years and an economic gain of \$24,896,771.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 11 – LONG-TERM DEBT (cont.)

ISSUANCE OF STATE REVOLVING LOANS

The Authority's Water Fund received loans from the State of Michigan Revolving Loan Fund totaling \$6,285,121 of which \$85,221 has been forgiven during the year ended June 30, 2019. The Water Fund loans were for the local system and were a pass through to DWSD, the subrecipient of the loans. At June 30, 2019, \$9,584,670 for the Water Fund was authorized and unissued.

DEBT RATINGS

In September 2018, Standard & Poor's Global Ratings Services upgraded the ratings on the water system senior lien debt by three notches to AA- and the water system second lien debt by three notches to A+. Both with a positive outlook. Moody's Investor Services upgraded the ratings on the water system senior lien debt by one notch to A2 and second lien debt by one notch to A3. All were assigned a stable outlook. Fitch affirmed the ratings on the water system senior lien debt at an A and second lien debt at an A-. Both with positive outlooks.

The Authority was asked by the State to seek a rating for the junior lien debt, as this is the debt category 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.

CONTRACTUAL OBLIGATION RECEIVABLE – DEBT ALLOCATION FOR DWSD RETAIL OPERATIONS

As part of the regional system lease transaction in which GLWA leased the regional water 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.

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 system. 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. The total obligation receivable at June 30, 2019 is \$482,810,087 for the Water Fund.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 11 – 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, 2019:

Bond Issue	Original Issue Amount	Range of Interest Rates	Maturity Date	Outstanding Ending Balance
Series 2014-B	\$ 26,540,080	4.00% and	4/1/44	\$ 15,556,024
Series 2014-C	3,829,794	variable 5.00%	6/30/27	<u>1,541,685</u>
Total				<u>\$ 17,097,709</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 11 – LONG-TERM DEBT (cont.)

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

As of June 30, 2019, debt service requirements of the Financial Recovery Bonds were as follows:

Year Ended June 30	Principal	Interest	Total
2020	\$ 176,183	\$ 699,325	\$ 875,508
2021	184,992	690,516	875,508
2022	194,242	681,267	875,509
2023	203,954	671,555	875,509
2024	214,151	661,357	875,508
2025 - 2029	4,457,163	2,848,041	7,305,204
2030 - 2034	3,889,008	2,022,284	5,911,292
2035 - 2039	3,889,008	1,866,724	5,755,732
2040 - 2044	3,889,008	700,021	4,589,029
Total	\$ 17,097,709	\$ 10,841,090	\$ 27,938,799

INTEREST EXPENSE

The following represents the amounts recorded as interest expense for the year ended June 30, 2019:

Bonded debt	\$ 114,150,204
Obligation payable	659,085
Lease payable	17,668,794
Raw water rights	4,225,950
Total	\$ 136,704,033

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 12 – NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of June 30, 2019 was as follows:

Capital Assets and Intangible Asset	
Capital assets not being depreciated	\$ 467,830,218
Capital assets being depreciated, net	1,390,765,435
Intangible asset – raw water rights, net	<u>101,352,701</u>
Total Capital Assets and Intangible Asset	<u>1,959,948,354</u>
Less: Related Debt	
Total debt, net (see Note 11)	2,496,421,894
Less: Portion of bonds used for SWAP termination agreements	(192,388,741)
Less: Obligation receivable-local share of debt	(482,810,087)
Less: Bonds applicable to unspent construction proceeds	(83,054,043)
Deferred charge on refunding	(82,508,971)
Deferred gain on refunding	60,317,719
Deferred amounts for SWAP terminations	75,616
Capital portion of lease payable	307,138,940
Lease obligation – raw water rights	<u>103,241,119</u>
Total Related Debt	<u>2,126,433,446</u>
Net Investment in Capital Assets	<u>\$ (166,485,092)</u>

During 2019, the Authority reevaluated the classifications of net position. The following changes in classifications were made for the year ended June 30, 2019, from the prior year ended June 30, 2018:

- The lease payable was analyzed for purposes of net position classifications pursuant to the application of GASB 69 for the Authority's acquisition and the amounts in fiscal year ended June 30, 2019 are reported prospectively. The impact of this change resulted in a decrease in net investment in capital assets and an increase in unrestricted net position of \$307,138,940 for the Water Fund for the fiscal year ended June 30, 2019. For fiscal year ended June 30, 2018, this analysis would have resulted in a decrease in net investment in capital assets and an increase in unrestricted net position of \$310,647,249 for the Water Fund.
- For fiscal year ended June 30, 2019, the restricted unspent construction bond proceeds in the amount of \$83,054,043 for the Water Fund are offset by the related bond liability, resulting in no classification of net position restricted for capital acquisition. In fiscal year June 30, 2018, the unspent construction bond proceeds were reported in the restricted for capital acquisition net position classification.
- The net impact of the lease obligation for raw water rights is reported as a decrease in net investment in capital assets and an increase in unrestricted net position in the amount of \$1,888,418 for fiscal year ended June 30, 2019. In fiscal year 2018, this item was reported in unrestricted net position.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 13 – LONG-TERM 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. 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. 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 sewerage 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.

Amounts reported as a liability at year-end represent the net present value of all future lease payments. Changes in long-term leases payable for the year ended June 30, 2019 were as follows:

<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Amount due Within One Year*</u>
<u>\$ 426,303,347</u>	<u>\$ -</u>	<u>\$ (4,814,476)</u>	<u>\$ 421,488,871</u>	<u>\$ 5,019,121</u>

* The current portion of the long-term leases payable represents the 12 monthly payments required from July 1, 2019 through June 30, 2020. Future revenues are intended to cover these payments.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 13 – LONG-TERM LEASES PAYABLE AND RELATED PREPAID LEASE (cont.)

As of June 30, 2019, aggregate requirements of the Authority's leases were as follows:

Year Ended June 30	Principal	Interest	Total
2020	\$ 5,019,121	\$ 17,480,879	\$ 22,500,000
2021	5,232,465	17,267,535	22,500,000
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 - 2029	33,643,470	78,856,530	112,500,000
2030 - 2034	41,428,022	71,071,978	112,500,000
2035 - 2039	51,013,795	61,486,205	112,500,000
2040 - 2044	62,817,560	49,682,440	112,500,000
2045 - 2049	77,352,526	35,147,474	112,500,000
2050 - 2054	95,250,646	17,249,354	112,500,000
2055 - 2056	32,661,176	1,088,824	33,750,000
Total	<u>\$ 421,488,871</u>	<u>\$ 399,761,129</u>	<u>\$ 821,250,000</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.

NOTE 14 – LEASE OBLIGATION – RAW WATER RIGHTS

A lease 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 lease 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 8).

	Beginning Balance	Increase	Decrease	Ending Balance
Lease obligation – raw water rights	<u>\$ 106,240,576</u>	<u>\$ -</u>	<u>\$ (2,999,457)</u>	<u>\$ 103,241,119</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 14 – LEASE OBLIGATION – RAW WATER RIGHTS (cont.)

The future credits to be issued are detailed below:

Year Ended June 30	Principal	Interest	Total
2020	\$ 2,520,996	\$ 4,131,352	\$ 6,652,348
2021	2,624,820	4,027,432	6,652,252
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 - 2029	16,753,970	16,509,465	33,263,435
2030 - 2034	20,499,399	12,759,849	33,259,248
2035 - 2039	25,091,789	8,170,988	33,262,777
2040 - 2044	25,492,554	2,700,032	28,192,586
2045 - 2046	1,714,444	49,556	1,764,000
Total	<u>\$ 103,241,119</u>	<u>\$ 59,763,583</u>	<u>\$ 163,004,702</u>

NOTE 15 – 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 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	Limits	Retention Per Occurrence
Aviation	\$5,000,000	5% of insured value
Cyber Breach	\$10,000,000	\$100,000
Fiduciary	\$5,000,000	\$1,000
General and Auto Liability	\$10,000,000	\$1,000,000
Pollution Legal Liability	\$25,000,000	\$500,000
Property Damage	\$750,000,000	\$1,000,000
Public Officials and Employment Practices	\$25,000,000	\$250,000
Workers' Compensation	Statutory	\$1,250,000

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

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 15 – RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (cont.)

The Authority assumes all risk for motor vehicle physical damage.

The Authority maintains a self-insurance program for workers' compensation coverage up to the amount of its retention. The program is administered by a third-party who provides claim review and medical bill review services.

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. 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.

Medical insurance. The Authority provides medical benefits to a significant number of employees through a self-insured health plan that is administered by third party administrators. The Authority purchased stop loss insurance for its self-insured health plan with terms of \$300,000 per contract to reduce risk exposure for the group. 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. The unpaid claims estimate is accrued within the Water Fund's accrued salaries, wages and benefits payable account on the Statement of Net Position.

	2019	2018
Unpaid claims, beginning of year	\$ 1,044,067	\$ 1,026,178
Incurred claims (including change in IBNR provisions)	10,655,927	8,598,908
Claims payments	(10,698,796)	(8,581,019)
Unpaid Claims, End of Year	\$ 1,001,198	\$ 1,044,067

Workers' compensation. The Authority maintains a self-insurance program for workers' compensation coverage up to the amount of its retention. The program is administered by a third party who provides claim review and medical bill review services. The unpaid claims estimate is accrued within the Water Fund's accrued workers' compensation account on the Statement of Net Position.

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

	2019	2018
Unpaid claims, beginning of year	\$ 303,239	\$ 250,000
Incurred claims (including change in IBNR provisions)	246,138	254,899
Claims payments	(256,897)	(201,660)
Unpaid Claims, End of Year	\$ 292,480	\$ 303,239

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 16 – 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 \$4,605,975, which is net of forfeitures of \$351,582, for the year ended June 30, 2019. The Authority has accrued approximately \$197,000 of expense on the accrued payroll at June 30, 2019. At June 30, 2019, there were 1,104 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 are 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 determined by an actuary based on the present value of the lost GRS benefit was \$791,113 which was expensed in fiscal year 2018. The actual funding of the plan occurred in fiscal 2019. An additional employer contribution for \$32,492 was expensed in fiscal year 2019 for an eligible employee. Employees are 100% vested after one year of service. At June 30, 2019 there are 36 participants in the plan.

The Authority has a Section 457 Deferred Compensation Plan which employees can make pre-tax contributions which are immediately 100% vested. The Authority added a Roth provision (post-tax) to the 457 plan effective January 1, 2019. At June 30, 2019 there were 953 plan members.

The Authority adopted a Roth IRA Plan during the fiscal year which allows employees to make post-tax contributions which are immediately 100% vested. At June 30, 2019 there were 25 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 \$1,907,629, which is net of forfeitures of \$180,773, for the year ended June 30, 2019. The Authority has accrued approximately \$80,000 of expense on the accrued payroll at June 30, 2019. Employee contributions were \$251,160 for the year ended June 30, 2019. At June 30, 2019, there were 1,350 plan members.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 17 – 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, 2018 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 WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 17 – 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 2018, employer contributions were not actuarially determined, but are determined by the provisions of the POA. Included within contributions for fiscal year 2018 are contributions from the Foundation for Detroit's Future in the amount of \$375,000 and approximately \$67.9 million of contributions from the City, City-related entities, and GLWA. Employer contributions were also made into the Income Stabilization Fund for \$88,494 from the UTGO Stub Bond proceeds.

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 2019. This includes a contribution to the GRS pension plan of \$10,810,800 for the Water Fund. 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. 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, 2018. The total share for the DWSD is estimated to be between \$5.7 million and \$7.3 million. GLWA's share of the 2024 estimated contribution will be between \$4.0 million and \$5.1 million with approximately \$1.4 million to \$1.8 million allocated to the Water Fund.

The information below represents the Authority's share of pension liability activity. DWSD separately reports its prorata 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, 2018, there were no employee contributions into Component II, as the plan was frozen as of June 30, 2014; contributions into Component I began thereafter.

Net Pension Liability. As permitted by GASB Statement No. 68, the net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

Actuarial Assumptions. The total pension liability was actuarial determined as of June 30, 2017, which used updated procedures to roll forward the estimated liability to June 30, 2018. 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	7.38%, 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, 2017 valuation to calculate the total pension liability as of June 30, 2018 were based on the results of an actuarial experience study for the period from 2002-2007.

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, 2018, 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	43.0%	5.23%	2.25%
Global fixed income	19.0%	3.04%	0.58%
Private equity	8.0%	7.18%	0.57%
Cash	1.0%	25.00%	0.25%
Real estate	10.0%	4.46%	0.45%
Global asset allocation/risk parity/real assets	14.0%	4.30%	0.60%
Hedge funds	5.0%	4.06%	0.20%
	100%		4.90%
Inflation			2.48%
			7.38%

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

Discount Rate. The discount rate used to measure the total pension liability was 7.38%, however the single discount rate used at the beginning of the year was 6.91%. 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.

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

Total pension liability		\$ 186,597,995	
Plan fiduciary net position		<u>(139,287,535)</u>	
Net Pension Liability		<u>\$ 47,310,460</u>	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at June 30, 2018	<u>\$ 198,242,719</u>	<u>\$ 134,091,367</u>	<u>\$ 64,151,352</u>
Changes for the year:			
Interest	13,111,573	-	13,111,573
Difference between expected and actual experience	(114,927)	-	(114,927)
Changes in assumptions	(7,651,537)	-	(7,651,537)
Employer contributions	-	10,810,800	(10,810,800)
Net investment income	-	10,878,360	(10,878,360)
Benefit payments, including refunds of employee contributions	(16,989,833)	(16,989,833)	-
Other changes	-	496,841	(496,841)
Net changes	<u>(11,644,724)</u>	<u>5,196,168</u>	<u>(16,840,892)</u>
Balances at June 30, 2019	<u>\$ 186,597,995</u>	<u>\$ 139,287,535</u>	<u>\$ 47,310,460</u>

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

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 7.38%, as well as what the Water Fund's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.38%) or 1% higher (8.38%) than the current rate:

1% Decrease (6.38%)	Current Discount Rate (7.38%)	1% Increase (8.38%)
\$ 61,235,868	\$ 47,310,460	\$ 35,410,483

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, 2019, the Authority recognized positive pension expense of \$6,014,441 for the water disposal fund. At June 30, 2019, the Water Fund 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
Net difference between projected and actual earnings on pension plan investments	\$ 558,696	\$ -	\$ 558,696
Employer contributions to the plan subsequent to the measurement date	10,810,800	-	10,810,800
Total	\$ 11,369,496	\$ -	\$ 11,369,496

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2019

NOTE 17 – NET PENSION LIABILITY (SPECIAL FUNDING SITUATION) (cont.)

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, 2020. 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		
2020	\$	1,489,572
2021		787,132
2022		(1,356,214)
2023		<u>(361,794)</u>
Total	\$	<u>558,696</u>

Payable to the Pension Plan. At June 30, 2019, the Authority did not have any outstanding contributions payable to the pension plan for the year then ended.

NOTE 18 – 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 \$852.3 million for the Water Fund through fiscal year 2024. The Program is being financed primarily from revenue bond proceeds in addition to the Improvement and Extension Funds. As of June 30, 2019, the Water Fund has unspent bond proceeds of \$83.1 million and Improvement and Extension funds of \$264.6 million available for use in addition to state revolving fund loan resources of \$9,584,670 in funding these commitments.

The total amount of construction contract commitments outstanding at June 30, 2019 was approximately \$137 million for the Water Fund.

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, 2019.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2019

NOTE 18 – COMMITMENTS AND CONTINGENCIES (cont.)

CONTINGENCIES (cont.)

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, 2019.

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 \$2,340,000 for the Water Fund, which is 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.

REQUIRED SUPPLEMENTARY INFORMATION

GREAT LAKES WATER AUTHORITY WATER FUND

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 Based on Measurement Date			
	2018*	2017*	2016*	2015**
Share of Total Pension Liability				
Interest	\$ 13,111,573	\$ 13,560,348	\$ 14,475,348	\$ 18,422,673
Differences between expected and actual experience	(114,927)	849,266	(1,815,233)	(153,112)
Changes in assumptions	(7,651,537)	5,431,838	6,318,782	(7,093,982)
Benefit changes	-	-	-	(54,618,440)
Benefit payments, including refunds of employee contributions	(16,989,833)	(18,310,822)	(24,963,262)	(19,462,302)
Net change	(11,644,724)	1,530,630	(5,984,365)	(62,905,163)
Share of total pension liability, beginning of year	198,242,719	196,712,089	202,696,454	265,601,617
Share of Total Pension Liability, End of Year	<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	10,808,000
Employee contributions	-	-	-	46,941
Net investment income (loss)	10,878,360	13,912,782	(470,295)	6,194,355
Benefit payments, including refunds of employee contributions	(16,989,833)	(18,310,822)	(24,963,262)	(19,462,302)
Administrative expense	-	-	-	(7,633)
Other changes	496,841	535,562	90,427	9,950,436
Net change	5,196,168	6,948,322	(14,532,330)	7,529,797
Share of plan fiduciary net position, beginning of year	134,091,367	127,143,045	141,675,375	134,145,578
Share of Plan Fiduciary Net Position, End of Year	<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>\$ 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	5.7%	6.8%	7.0%	7.4%
Plan fiduciary net position as a percentage of total pension liability	74.6%	67.6%	64.6%	69.9%

*As described in Notes 1 and 17 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 WATER FUND

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

	Fiscal Year Based on Measurement Date		
	2018*	2017*	2016*
Contractually required contribution**	\$ 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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

*As described in Notes 1 and 17 GLWA was established on January 1, 2016, and 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.

GREAT LAKES WATER AUTHORITY WATER FUND

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, 2019

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.

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.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND SCHEDULES

GREAT LAKES WATER AUTHORITY WATER FUND

COMBINING SCHEDULE OF NET POSITION

WATER FUND
As of June 30, 2019

	Water Operations	Water Improvement and Extension	Water Construction Fund	Water Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 54,922,894	\$ 93,720,899	\$ -	\$ 148,643,793
Restricted cash and cash equivalents	53,213,286	128,432	15,222,593	68,564,311
Restricted cash for the benefit of DWSD	2,690,397	-	-	2,690,397
Investments	27,697,152	170,863,983	-	198,561,135
Restricted investments	1,468,148	-	-	1,468,148
Receivables				
Billed	38,336,701	-	-	38,336,701
Unbilled	26,144,348	-	-	26,144,348
Other	916,074	-	-	916,074
Allowance for doubtful accounts	(7,455,747)	-	-	(7,455,747)
Due from other governments	30,063,571	-	-	30,063,571
Due from other funds	1,737,712	1,139,242	-	2,876,954
Due from other water funds	756,952	-	1,009,064	1,766,016
Contractual obligation receivable, current portion	14,328,368	-	-	14,328,368
Prepaid items and other assets	4,601,469	847,706	198,486	5,647,661
Inventories	386,612	-	-	386,612
Total Current Assets	<u>249,807,937</u>	<u>266,700,262</u>	<u>16,430,143</u>	<u>532,938,342</u>
Noncurrent Assets				
Restricted cash and cash equivalents	12,539,444	-	19,614,818	32,154,262
Restricted investments	13,636,198	-	63,439,225	77,075,423
Contractual obligation receivable	468,481,719	-	-	468,481,719
Prepaid lease	11,250,000	-	-	11,250,000
Assets not subject to depreciation	467,830,218	-	-	467,830,218
Capital assets being depreciated, net	1,390,765,435	-	-	1,390,765,435
Intangible asset - raw water rights, net	101,352,701	-	-	101,352,701
Prepaid insurance on debt	8,754,897	-	-	8,754,897
Total Noncurrent Assets	<u>2,474,610,612</u>	<u>-</u>	<u>83,054,043</u>	<u>2,557,664,655</u>
Total Assets	<u>2,724,418,549</u>	<u>266,700,262</u>	<u>99,484,186</u>	<u>3,090,602,997</u>
Deferred outflows of resources				
Deferred charge on refunding	82,508,971	-	-	82,508,971
Deferred pension amounts	11,369,496	-	-	11,369,496
Total Deferred Outflows of Resources	<u>93,878,467</u>	<u>-</u>	<u>-</u>	<u>93,878,467</u>

	Water Operations	Water Improvement and Extension	Water Construction Fund	Water Total
Liabilities				
Current Liabilities				
Accounts and contracts payable	\$ 18,576,390	\$ 2,858,728	\$ 15,222,596	\$ 36,657,714
Accrued salaries, wages and benefits	4,284,220	-	-	4,284,220
Other accrued liabilities	6,481,670	-	-	6,481,670
Due to other governments	15,963,934	-	-	15,963,934
Due to other funds	12,568	-	-	12,568
Due to other water funds	-	1,313,819	452,197	1,766,016
Interest payable	40,325,682	-	-	40,325,682
Current portion of:				
Long-term debt	29,244,447	-	-	29,244,447
Lease payable	5,019,121	-	-	5,019,121
Lease obligation - raw water rights	2,520,996	-	-	2,520,996
Obligation payable	176,183	-	-	176,183
Accrued compensated absences	2,430,828	-	-	2,430,828
Accrued workers' compensation	217,480	-	-	217,480
Claims and judgments	2,290,000	-	-	2,290,000
Total Current Liabilities	<u>127,543,519</u>	<u>4,172,547</u>	<u>15,674,793</u>	<u>147,390,859</u>
Noncurrent Liabilities				
Long-term debt	2,467,177,447	-	-	2,467,177,447
Long-term lease payable	416,469,750	-	-	416,469,750
Lease obligation - raw water rights	100,720,123	-	-	100,720,123
Obligation payable	16,921,526	-	-	16,921,526
Accrued compensated absences	2,049,655	-	-	2,049,655
Accrued workers' compensation	75,000	-	-	75,000
Claims and judgments	50,000	-	-	50,000
Other noncurrent liabilities	2,804,949	-	-	2,804,949
Net pension liability	47,310,460	-	-	47,310,460
Total Noncurrent Liabilities	<u>3,053,578,910</u>	<u>-</u>	<u>-</u>	<u>3,053,578,910</u>
Total Liabilities	<u>3,181,122,429</u>	<u>4,172,547</u>	<u>15,674,793</u>	<u>3,200,969,769</u>
Deferred Inflows of Resources				
Deferred amounts for swap terminations	75,616	-	-	75,616
Deferred gain on refunding	60,317,719	-	-	60,317,719
Deferred pension amounts	-	-	-	-
Total Deferred Inflows of Resources	<u>60,393,335</u>	<u>-</u>	<u>-</u>	<u>60,393,335</u>
Net Position				
Net investment in capital assets	(250,294,485)	-	83,809,393	(166,485,092)
Restricted for debt service	29,731,576	-	-	29,731,576
Restricted for payment assistance program	3,369,875	-	-	3,369,875
Unrestricted (deficit)	<u>(206,025,714)</u>	<u>262,527,715</u>	<u>-</u>	<u>56,502,001</u>
TOTAL NET POSITION	<u>\$ (423,218,748)</u>	<u>\$ 262,527,715</u>	<u>\$ 83,809,393</u>	<u>\$ (76,881,640)</u>

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

GREAT LAKES WATER AUTHORITY WATER FUND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER FUND
For the Year Ended June 30, 2019

	Water Operations	Water Improvement and Extension	Water Construction Fund	Water Total
Operating Revenues				
Wholesale customer charges	\$ 311,399,136	\$ -	\$ -	\$ 311,399,136
Local system charges	20,181,400	-	-	20,181,400
Other revenues	21,340	-	-	21,340
	<u>331,601,876</u>	<u>-</u>	<u>-</u>	<u>331,601,876</u>
Operating Expenses				
Operating expenses before depreciation and amortization				
Personnel	42,085,546	-	-	42,085,546
Contractual services	40,975,335	2,107,743	-	43,083,078
Utilities - gas	1,107,619	-	-	1,107,619
Utilities - electric	24,462,379	-	-	24,462,379
Utilities - sewage	676,170	-	-	676,170
Utilities - water	1,690	-	-	1,690
Chemicals	5,088,827	-	-	5,088,827
Supplies and other expenses	11,797,279	-	-	11,797,279
Capital program allocation	(2,054,913)	-	-	(2,054,913)
Shared services allocation	(6,425,729)	-	-	(6,425,729)
Total Operating Expenses Before Depreciation and Amortization	117,714,203	2,107,743	-	119,821,946
Depreciation	140,571,120	-	-	140,571,120
Amortization of intangible asset - raw water rights	3,566,664	-	-	3,566,664
	<u>261,851,987</u>	<u>2,107,743</u>	<u>-</u>	<u>263,959,730</u>
Operating Income (Loss)	<u>69,749,889</u>	<u>(2,107,743)</u>	<u>-</u>	<u>67,642,146</u>
Nonoperating Revenues (Expenses)				
Earnings on investments	5,097,690	6,720,513	2,936,198	14,754,401
Interest on obligations receivable	22,921,380	-	-	22,921,380
Interest expense	(136,704,033)	-	-	(136,704,033)
Amortization of debt related items and cost of issuance	10,771,937	-	-	10,771,937
Legacy pension expense	6,014,441	-	-	6,014,441
WRAP (Water Residential Assistance Program)	(855,455)	-	-	(855,455)
Other	(213,965)	-	328,101	114,136
Capital outlay	66,470,130	(5,849,231)	(60,620,899)	-
Gain (loss) on disposal of capital assets	(435,095)	-	-	(435,095)
Loss on impairment of capital assets	(670,137)	-	-	(670,137)
	<u>(27,603,107)</u>	<u>871,282</u>	<u>(57,356,600)</u>	<u>(84,088,425)</u>
Income (Loss) Before Transfers	<u>42,146,782</u>	<u>(1,236,461)</u>	<u>(57,356,600)</u>	<u>(16,446,279)</u>
Transfer in	4,408,045	47,695,000	433,777	52,536,822
Transfer out	<u>(48,130,489)</u>	<u>(4,406,333)</u>	<u>-</u>	<u>(52,536,822)</u>
Change in net position	<u>(1,575,662)</u>	<u>42,052,206</u>	<u>(56,922,823)</u>	<u>(16,446,279)</u>
NET POSITION (DEFICIT), Beginning of Year	<u>(421,643,086)</u>	<u>220,475,509</u>	<u>140,732,216</u>	<u>(60,435,361)</u>
NET POSITION (DEFICIT), END OF YEAR	<u>\$ (423,218,748)</u>	<u>\$ 262,527,715</u>	<u>\$ 83,809,393</u>	<u>\$ (76,881,640)</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 WATER FUND

SCHEDULE OF INTERFUND RECEIVABLES AND PAYABLES

For the Year Ended June 30, 2019

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, 2019 consisted of the following:

	Sewage Disposal Fund due to Water Fund			
	Sewer Operations	Sewer Improvement and Extension	Sewer Bond	Total
Water Operations	\$ 1,726,059	\$ 11,653	\$ -	\$ 1,737,712
Water Improvement and Extension	-	1,139,242	-	1,139,242
Water Construction Fund	-	-	-	-
TOTALS	\$ 1,726,059	\$ 1,150,895	\$ -	\$ 2,876,954

	Water Fund due to Sewage Disposal Fund			
	Water Operations	Water Improvement and Extension	Water Bond	Total
Sewer Operations	\$ -	\$ -	\$ -	\$ -
Sewer Improvement and Extension	-	-	-	-
Sewer Construction Fund	12,568	-	-	12,568
TOTALS	\$ 12,568	\$ -	\$ -	\$ 12,568

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

GREAT LAKES WATER AUTHORITY WATER FUND

SCHEDULE OF OPERATIONS AND MAINTENANCE EXPENSE FOR WATER OPERATIONS

COST TYPE CATEGORY - BUDGET TO ACTUAL

For the Year Ended June 30, 2019

	Original Budget	Amended Budget	Administrative and Centralized Services Reclassification
Operating Expenses			
Personnel	\$ 67,327,653	\$ 67,299,104	\$ (25,890,236)
Contractual services	78,729,351	74,608,551	(31,378,637)
Utilities	28,355,230	26,075,499	(125,109)
Chemicals	5,674,100	5,091,800	-
Supplies and other expenses	22,187,806	20,074,138	(8,798,996)
Capital program allocation	(3,078,500)	(2,098,464)	-
Shared services allocation	(9,116,656)	(8,573,787)	-
Centralized services allocation	(56,455,486)	(56,455,486)	56,455,486
Administrative services allocation	(16,305,000)	(16,305,000)	16,305,000
Capital outlay	365,500	-	-
Unallocated reserve	3,878,602	11,846,245	(6,567,508)
TOTAL OPERATING EXPENSES	<u>\$ 121,562,600</u>	<u>\$ 121,562,600</u>	<u>\$ -</u>

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

Final Amended Budget	Actual	Amount Variance Actual-Budget	Percent Under (Over) Budget
\$ 41,408,868	\$ 42,085,546	\$ (676,678)	-1.63%
43,229,914	40,975,335	2,254,579	5.22%
25,950,390	26,247,858	(297,468)	-1.15%
5,091,800	5,088,827	2,973	0.06%
11,275,142	11,797,279	(522,137)	-4.63%
(2,098,464)	(2,054,913)	(43,551)	2.08%
(8,573,787)	(6,425,729)	(2,148,058)	25.05%
-	-	-	0.00%
-	-	-	0.00%
-	-	-	0.00%
<u>5,278,737</u>	<u>-</u>	<u>5,278,737</u>	100.00%
<u>\$ 121,562,600</u>	<u>\$ 117,714,203</u>	<u>\$ 3,848,397</u>	3.17%

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

GREAT LAKES WATER AUTHORITY WATER FUND

SCHEDULE OF REVENUE REQUIREMENT BUDGET TO ACTUAL - WATER SYSTEM OPERATIONS For the Year Ended June 30, 2019

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 System experienced a positive variance of approximately \$3.4 million.

	2019 Adopted Budget	2019 Amended Budget	2019 Actual	Amount Variance Over (Under) Budget
Revenues				
Revenue from Charges - Suburban Wholesale Customers [1]	\$ 307,382,500	\$ 307,382,500	\$ 304,419,633	\$ (2,962,867)
Revenue from Charges - Detroit Customers	<u>20,181,400</u>	<u>20,181,400</u>	<u>20,181,400</u>	<u>-</u>
Total Revenue from Charges	<u>327,563,900</u>	<u>327,563,900</u>	<u>324,601,033</u>	<u>(2,962,867)</u>
Other Operating Revenue	-	-	21,340	21,340
Nonoperating Revenue	<u>3,836,600</u>	<u>9,425,400</u>	<u>11,818,203</u>	<u>2,392,803</u>
Total Revenues	<u>\$ 331,400,500</u>	<u>\$ 336,989,300</u>	<u>\$ 336,440,576</u>	<u>\$ (548,724)</u>
Revenue Requirements				
Operations and Maintenance Regional System Wholesale [2]	121,562,600	121,562,600	117,714,203	(3,848,397)
General Retirement System Legacy Pension	6,048,000	6,048,000	6,048,000	-
Debt Service	134,214,600	131,241,800	131,178,181	(63,619)
General Retirement System Accelerated Pension	6,268,300	6,268,300	6,268,296	(4)
Water Residential Assistance Program Contribution	1,673,400	1,673,400	1,673,400	-
Lease Payment to Local System Improvement & Extension Fund	22,500,000	22,500,000	22,500,000	-
Transfer to the Regional Improvement & Extension Fund	<u>39,133,600</u>	<u>47,695,200</u>	<u>47,695,000</u>	<u>(200)</u>
Total Revenue Requirements	<u>\$ 331,400,500</u>	<u>\$ 336,989,300</u>	<u>\$ 333,077,080</u>	<u>\$ (3,912,220)</u>
Revenue Requirement Variance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,363,496</u>	<u>\$ 3,363,496</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 \$6,979,503 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] See the Combining Schedule of Revenues, Expenses and Changes in Net Position for the Water Fund. 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 WATER FUND

SCHEDULE OF REVENUE REQUIREMENT TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION CROSSWALK

For the Year Ended June 30, 2019

The Great Lakes Water Authority establishes a Revenue Requirement budget for the purpose of establishing charges for services which follows a modified accrual 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.

Revenue Requirement Variance from Schedule of Revenue Requirement \$ 3,363,496

Budgetary categories adjustments to financial reporting basis

Pension delayed accounting election adjustments	
Current year pension transfers/ payments recorded as deferral	10,810,800
Prior year pension contribution accounted for in current year	6,014,441
Administrative prepaid adjustment	404,092
Debt service	39,949,528
Accelerated pension and B&C notes obligation	216,500
Lease payment	4,831,000
Water Residential Assistance Program	817,945
Improvement & Extension fund	47,695,000

Nonbudgeted financial reporting categories adjustments

Depreciation	(140,571,120)
Amortization	7,205,273
Other nonoperating income	340,040
Gain (loss) on disposal of capital assets	(435,095)
Loss on impairment of capital assets	(670,137)
Raw water rights	2,753,503
Investment earnings construction fund	2,936,198
Improvement & Extension fund operating expenses	<u>(2,107,743)</u>

**Change in Net Position per Statement of Revenues, Expenses and
Changes in Net Position** \$ (16,446,279)

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

GREAT LAKES WATER AUTHORITY WATER FUND

SCHEDULE OF DAYS CASH - LIQUIDITY
June 30, 2019

	2019	2018	2017	2016*
Cash and investments - Unrestricted	\$ 347,204,928	\$ 317,089,746	\$ 267,335,558	\$ 167,292,572
Operating Expense				
Operating expense	\$ 263,959,730	\$ 254,602,752	\$ 245,868,861	\$ 120,841,204
Less: depreciation	(140,571,120)	(143,991,815)	(144,137,912)	(71,295,545)
Less: amortization of intangible asset - raw water rights	(3,566,664)	(2,080,554)	-	-
 Net Operating Expense	 \$ 119,821,946	 \$ 108,530,383	 \$ 101,730,949	 \$ 49,545,659
 Operating Expense per Day (365 days)	 \$ 328,279	 \$ 297,344	 \$ 278,715	 \$ 273,733
Days Cash				
Number of days cash	1,058	1,066	959	611

*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 WATER FUND

NOTES TO SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2019

Note 1 – Combining Fund Schedules

The Combining Fund Schedules presented combined the three funds the Authority maintains for the Water Fund reported in the Financial Statements. The following describes the three funds and the purpose of each fund.

Water Operations & Maintenance (O&M) – 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 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 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 for the proceeds of water debt obligations and investment earnings thereon. Funds are used to pay for water system capital improvements in accordance with the debt obligations.

Note 2 – Budget to Actual Schedules

Schedule of Operations and Maintenance Expense Cost Type Activity – Budget to Actual

The schedule of operations and maintenance expense (O&M) for the water system operations provides the detail of the major expense categories of the O&M budget compared to the actual results. The actual expenditures are the operating expenses before depreciation for the Water Operations reported in the Combining Schedule of Revenues, Expenses and Changes in Net position for the Water Fund.

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 in addition to cash payments for debt service, legacy pension obligations, and 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 Regional Water 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.

GREAT LAKES WATER AUTHORITY WATER FUND

NOTES TO SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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 accrual basis of accounting. The 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 basis of accounting, the crosswalk reconciles the Revenue Requirement to the Change in Net Position in the Statement of Revenues, Expenses and Changes in Net Position.

STATISTICAL SECTION

GREAT LAKES WATER AUTHORITY WATER FUND

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 Water Fund'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 Water Fund's financial position has changed over time.	66
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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 WATER FUND

SCHEDULE OF NET POSITION - WATER FUND

As of June 30, 2019

	2019	2018	2017	2016
Assets				
Current Assets				
Cash and cash equivalents	\$ 148,643,793	\$ 310,085,221	\$ 266,483,138	\$ 155,712,891
Restricted cash and cash equivalents	68,564,311	51,097,342	60,753,268	53,028,844
Restricted cash for the benefit of DWSD	2,690,397	8,418,827	288,378	10,430
Investments	198,561,135	7,004,525	852,420	11,579,681
Restricted investments	1,468,148	1,234,954	1,169,187	27,818,000
Receivables				
Billed	38,336,701	38,272,740	36,459,563	37,629,170
Unbilled	26,144,348	29,229,709	29,539,433	32,307,945
Other	916,074	5,850	1,300	21,899,046
Allowance for doubtful accounts	(7,455,747)	(6,221,815)	(4,941,777)	(25,040,612)
Due from other governments	30,063,571	23,588,754	21,327,713	41,486,157
Due from other funds	2,876,954	330,293	-	-
Contractual obligation receivable, current portion	14,328,368	13,560,086	12,076,942	6,851,584
Prepaid items and other assets	5,647,661	3,265,972	2,437,047	2,183,690
Inventories	386,612	-	-	-
Total Current Assets	<u>531,172,326</u>	<u>479,872,458</u>	<u>426,446,612</u>	<u>365,466,826</u>
Noncurrent Assets				
Restricted cash and cash equivalents	32,154,262	18,261,706	177,939,494	5,460,942
Restricted investments	77,075,423	150,436,225	20,530,374	42,841,345
Contractual obligation receivable	468,481,719	477,039,443	483,604,380	466,317,666
Prepaid lease	11,250,000	11,250,000	11,250,000	-
Assets not subject to depreciation	467,830,218	434,684,895	452,185,674	415,558,090
Capital assets being depreciated, net	1,390,765,435	1,499,118,693	1,587,291,603	1,728,054,410
Intangible asset - raw water rights, net	101,352,701	104,919,365	-	-
Prepaid insurance on debt	8,754,897	13,002,376	14,112,324	20,831,496
Total Noncurrent Assets	<u>2,557,664,655</u>	<u>2,708,712,703</u>	<u>2,746,913,849</u>	<u>2,679,063,949</u>
Total Assets	<u>3,088,836,981</u>	<u>3,188,585,161</u>	<u>3,173,360,461</u>	<u>3,044,530,775</u>
Deferred Outflows of Resources				
Deferred charge on refunding	82,508,971	94,431,823	99,294,499	116,511,949
Deferred pension amounts	11,369,496	18,645,719	21,491,506	13,620,562
Total Deferred Outflows of Resources	<u>93,878,467</u>	<u>113,077,542</u>	<u>120,786,005</u>	<u>130,132,511</u>

	2019	2018	2017	2016
Liabilities				
Current Liabilities				
Accounts and contracts payable	\$ 36,657,714	\$ 33,754,534	\$ 36,751,842	\$ 49,474,527
Accrued salaries, wages and benefits	4,284,220	4,734,956	3,190,038	2,887,280
Other accrued liabilities	6,481,670	12,679,692	1,353,816	875,796
Due to other governments	15,963,934	11,935,868	25,393,813	13,668,890
Due to other funds	12,568	3,447,927	-	65,971
Interest payable	40,325,682	39,322,324	39,329,322	37,226,125
Current portion of:				
Long-term debt	29,244,447	20,569,843	23,393,905	35,650,167
Leases payable	5,019,121	4,814,476	4,618,174	4,429,876
Lease obligation - raw water rights	2,520,996	2,999,458	-	-
Obligation payable	176,183	167,794	159,803	152,193
Accrued compensated absences	2,430,828	2,212,326	2,157,888	1,784,746
Accrued workers' compensation	217,480	228,239	25,000	395,788
Claims and judgments	2,290,000	2,195,000	-	4,494,694
Total Current Liabilities	<u>145,624,843</u>	<u>139,062,437</u>	<u>136,373,601</u>	<u>151,106,053</u>
Noncurrent Liabilities				
Long-term debt	2,467,177,447	2,545,529,255	2,606,465,431	2,488,824,632
Long-term leases payable	416,469,750	421,488,871	426,303,346	430,921,520
Lease obligation - raw water rights	100,720,123	103,241,118	-	-
Obligation payable	16,921,526	17,097,709	17,265,503	17,425,306
Accrued compensated absences	2,049,655	2,174,506	2,288,125	3,511,934
Accrued workers' compensation	75,000	75,000	225,000	3,562,536
Claims and judgments	50,000	50,000	75,000	-
Other noncurrent liabilities	2,804,949	2,634,471	2,582,076	2,710,092
Net pension liability	47,310,460	64,151,352	69,569,044	61,021,079
Total Noncurrent Liabilities	<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>3,199,203,753</u>	<u>3,295,504,719</u>	<u>3,261,147,126</u>	<u>3,159,083,152</u>
Deferred Inflows of Resources				
Deferred amounts for swap terminations	75,616	80,342	85,068	4,134,908
Deferred gain on refunding	60,317,719	59,252,431	62,822,646	-
Deferred pension amounts	-	7,260,572	6,565,776	15,536,821
Total Deferred Inflows of Resources	<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	(166,485,092)	60,799,635	134,919,107	400,187,482
Restricted for debt service	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	3,369,875	2,462,214	2,218,373	977,278
Unrestricted (deficit)	<u>56,502,001</u>	<u>(287,668,794)</u>	<u>(372,780,904)</u>	<u>(475,054,191)</u>
TOTAL NET POSITION	<u>\$ (76,881,640)</u>	<u>\$ (60,435,361)</u>	<u>\$ (36,474,150)</u>	<u>\$ (4,091,595)</u>

GREAT LAKES WATER AUTHORITY WATER FUND

CHANGES IN NET POSITION - WATER FUND

	2019	2018	2017	2016*
Operating Revenues				
Wholesale customer charges	\$ 311,399,136	\$ 323,117,344	\$ 331,115,131	\$ 160,777,169
Local system charges	20,181,400	15,130,600	15,490,300	6,833,500
Bad debt recovery	-	-	5,107,125	-
Other revenues	21,340	64,200	37,388	54,863
Total Operating Revenues	331,601,876	338,312,144	351,749,944	167,665,532
Operating Expenses				
Personnel	42,085,546	41,845,295	38,261,393	8,301,022
Contractual services	43,083,078	35,794,549	34,257,419	3,304,113
Utilities	26,247,858	26,871,081	28,469,603	12,368,557
Chemicals	5,088,827	4,804,768	5,340,753	2,444,543
Supplies and other expenses	11,797,279	9,543,615	7,982,562	1,440,644
Capital program allocation	(2,054,913)	(713,779)	(977,762)	-
Shared services allocation	(6,425,729)	(9,615,146)	(11,603,019)	-
Centralized services	-	-	-	18,494,851
Administrative services	-	-	-	3,191,929
Depreciation	140,571,120	143,991,815	144,137,912	71,295,545
Amortization of intangible asset - raw water rights	3,566,664	2,080,554	-	-
Total Operating Expenses	263,959,730	254,602,752	245,868,861	120,841,204
Operating Income	67,642,146	83,709,392	105,881,083	46,824,328
Nonoperating Revenues (Expenses)				
Earnings on investments	14,754,401	6,129,530	1,832,918	392,031
Interest on obligations receivable	22,921,380	23,351,220	25,269,750	12,231,250
Interest expense	(136,704,033)	(139,343,204)	(132,434,945)	(65,958,095)
Amortization of debt related items and cost of issuance	10,771,937	13,837,585	2,403,018	2,418,891
Legacy pension expense	6,014,441	(8,933,691)	(2,516,776)	-
WRAP (Water Residential Assistance Program)	(855,455)	(1,506,554)	(884,327)	-
Other	114,136	(544,813)	1,117,704	-
Gain (loss) on disposal of capital assets	(435,095)	(6,225)	(207,900)	-
Loss on impairment of capital assets	(670,137)	(654,451)	(31,499)	-
Total Nonoperating Expenses	(84,088,425)	(107,670,603)	(105,452,057)	(50,915,923)
Income (loss) before special item	(16,446,279)	(23,961,211)	429,026	(4,091,595)
Special Item - memorandum of understanding with DWSD	-	-	(32,811,581)	-
Change in net position	(16,446,279)	(23,961,211)	(32,382,555)	(4,091,595)
NET POSITION (DEFICIT), Beginning of Year	(60,435,361)	(36,474,150)	(4,091,595)	-
NET POSITION (DEFICIT), END OF YEAR	\$ (76,881,640)	\$ (60,435,361)	\$ (36,474,150)	\$ (4,091,595)

*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 WATER FUND

OPERATING REVENUES AND CHARGE INCREASES

	Budgeted 2020	Actual 2019	Actual 2018	Actual 2017	Actual 2016* [3]
Operating revenues:					
Wholesale customer charges	\$ 309,284,500	\$ 311,399,136	\$ 323,117,344	\$ 331,115,131	\$ 160,777,169
Local system charges	21,295,500	20,181,400	15,130,600	15,490,300	6,833,500
Bad debt recovery	-	-	-	5,107,125	-
Other revenues	9,084,200	21,340	64,200	37,388	54,863
Total Operating Revenues	\$ 339,664,200	\$ 331,601,876	\$ 338,312,144	\$ 351,749,944	\$ 167,665,532
Change in budgeted revenue requirement	2.5%	1.0%	-0.9%	4.0%	4.0%
Average annual charge increase:					
All customers	0.9%	1.6%	1.9%	4.5%	9.8%
Suburban wholesale customers	0.3%	1.7%	2.0%	4.3%	11.3%
Detroit wholesale customers[5]	2.7%	14.1%	-1.0%	4.1%	n/a [4]
Detroit retail rate increase [2]	2.0%	1.6%	1.7%	3.3%	5.3%
Number of wholesale customers [1]	87	87	87	88	85

* 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.

[1] Does not include the City of Detroit.

[2] This is the rate increase the City of Detroit Water and Sewerage charges the local customers.

[3] Percentage increase based on previous budget of Detroit Water and Sewerage Department.

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

[5] Represents the annual change in the effective "wholesale service charge" to the Detroit customer class. Does not include any impact of Detroit local system (retail) costs or charges. Also does not include any impact of Detroit's use of the regional system lease payment to finance allocated debt service obligations.

Source: Great Lakes Water Authority Financial Services Area and The Foster Group

GREAT LAKES WATER AUTHORITY WATER FUND

TEN LARGEST WHOLESALE WATER CUSTOMERS / TOTAL BILLED REVENUE

Last Ten Years

	2010*	2011*	2012*	2013*
Operating Revenues				
Flint [1]	\$ 17,421,663	\$ 17,103,752	\$ 20,919,987	\$ 23,308,800
Genesee County Drain Commission [1]	-	-	-	-
Southeast Oakland County Water Authority	9,285,621	10,293,814	12,111,306	19,541,038
Troy	7,550,028	7,295,491	-	9,311,146
Sterling Heights	8,696,601	8,113,053	9,882,899	12,089,582
Farmington Hills	7,547,585	7,775,635	8,503,722	10,575,173
Warren	-	7,532,208	9,121,108	9,945,794
Livonia	7,033,853	7,804,684	8,806,767	10,338,724
Shelby Township	7,403,056	8,175,322	9,966,936	10,824,461
Novi	6,782,362	7,063,698	8,340,815	-
Macomb Township	-	-	-	-
Rochester Hills	8,553,457	9,047,860	10,324,388	9,529,341
North Oakland County Water Authority	-	-	-	-
West Bloomfield Township	-	-	7,973,620	9,655,154
Canton Township	7,142,729	-	-	-
Ypsilanti Community Utilities Authority	-	-	-	-
TOTAL	\$ 87,416,955	\$ 90,205,517	\$ 105,951,548	\$ 125,119,213
Operating revenues - DWSD	\$ 285,470,426	\$ 316,002,201	\$ 336,129,945	\$ 355,527,761
Operating revenues - GLWA	-	-	-	-
Total operating revenues	\$ 285,470,426	\$ 316,002,201	\$ 336,129,945	\$ 355,527,761
% of total operating revenues	30.62%	28.55%	31.52%	35.19%

[1] Flint contract terminated April 2013, but service provided through April 2014 and re-established in November 2015 on a temporary basis until a long-term contract took effect on December 1, 2017. Non-contract service has been provided to Genesee County Drain Commission (GCDC) from May 2014 through mid-December 2017. GCDC changed service providers in December 2017 and has contracted with GLWA for as needed emergency water service.

*GLWA assumed operations on January 1, 2016. The information in this table from 2010-2015 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 6 months of operation under GLWA.

2014*	2015*	2016*	2017	2018	2019
\$ 23,871,366	\$ 15,804,309	\$ -	\$ 13,256,330	\$ 12,235,483	\$ 11,604,504
-	-	17,231,935	18,493,530	-	-
19,467,746	19,779,978	22,846,983	22,434,129	23,118,160	23,311,743
9,715,613	9,761,438	12,365,922	13,939,815	13,842,135	13,700,093
12,015,093	12,650,819	14,678,915	15,480,008	15,571,146	14,644,368
9,769,372	9,797,153	-	-	-	-
9,060,112	9,297,285	-	-	-	10,648,162
9,728,576	10,325,750	12,809,124	13,483,657	13,669,376	14,001,058
10,770,614	11,035,002	12,689,582	13,462,808	13,554,398	13,719,053
-	-	11,869,865	-	-	-
-	-	10,103,536	10,945,117	11,167,739	11,063,225
9,600,373	9,432,554	-	-	-	-
-	-	22,585,698	22,913,261	23,365,866	23,464,096
-	-	-	-	-	10,733,617
9,400,322	9,692,530	12,319,875	13,872,584	13,334,615	-
-	-	-	-	11,038,134	-
<u>\$ 123,399,187</u>	<u>\$ 117,576,818</u>	<u>\$ 149,501,435</u>	<u>\$ 158,281,239</u>	<u>\$ 150,897,052</u>	<u>\$ 146,889,919</u>
\$ 349,369,362	\$ 364,278,054	\$ 167,665,532	\$ -	\$ -	\$ -
-	-	217,759,272	351,749,944	338,312,144	331,601,876
<u>\$ 349,369,362</u>	<u>\$ 364,278,054</u>	<u>\$ 385,424,804</u>	<u>\$ 351,749,944</u>	<u>\$ 338,312,144</u>	<u>\$ 331,601,876</u>
<u>35.32%</u>	<u>32.28%</u>	<u>38.79%</u>	<u>45.00%</u>	<u>44.60%</u>	<u>44.30%</u>

GREAT LAKES WATER AUTHORITY WATER FUND

SCHEDULE OF WHOLESAL 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	\$ 115,500	\$ 6.99	Mayfield Township	\$ 2,200	\$ 31.99
Almont, Village of	11,400	10.22	Melvindale	34,300	6.22
Ash Township	39,200	7.71	New Haven, Village of	18,700	8.96
Belleville	14,800	9.60	North Oakland County Water Authority	1,185,200	10.37
Berlin Township	37,900	10.68	Northville, City	38,600	9.59
Brownstown Township	182,000	10.46	Northville Township	283,200	16.27
Bruce Township	9,300	54.76	Novi	459,900	12.48
Canton Township	502,600	11.29	Oak Park	68,300	5.64
Center Line	22,500	5.72	Oakland County Drain Commission	3,300	3.16
Chesterfield Township	201,700	9.74	Plymouth, City	52,800	9.97
Clinton Township	409,400	8.03	Plymouth Township	222,900	10.33
Commerce Township	185,900	14.38	Redford Township	157,600	7.25
Dearborn	533,600	5.95	River Rouge	35,200	6.16
Dearborn Heights	178,700	6.94	Riverview	43,100	7.95
Eastpointe	76,400	5.38	Rockwood	15,600	12.14
Ecorse	73,300	4.07	Romeo	12,800	18.05
Farmington	50,800	8.43	Romulus	193,100	7.77
Farmington Hills	463,200	9.78	Roseville	130,000	5.47
Ferndale	49,600	5.79	Royal Oak Township	11,500	7.63
Flat Rock	63,800	7.51	Shelby Township	700,700	14.05
Flint (1)	554,100	8.14	Southeastern Oakland County Water Authority	1,178,000	7.30
Fraser	59,700	7.69	South Rockwood	5,400	8.47
Garden City	85,100	7.66	Southgate	112,800	7.43
Gibraltar	16,900	7.67	St. Clair County-Burtchville Township	15,600	16.45
Grosse Ile Township	66,800	12.95	St. Clair County-Greenwood	21,300	13.36
Grosse Pointe Park	72,600	9.66	St. Clair Shores	148,900	5.88
Grosse Pointe Shores	31,600	12.50	Sterling Heights	743,400	9.79
Grosse Pointe Woods	75,400	9.43	Sumpster Township	33,700	9.45
Hamtramck	34,100	4.69	Sylvan Lake	11,900	14.17
Harper Woods	44,700	6.28	Taylor	229,100	6.49
Harrison Township	75,000	6.58	Trenton	110,800	10.02
Hazel Park	35,700	5.52	Troy	682,500	11.55
Highland Park	69,300	3.66	Utica	28,100	9.00
Huron Township	74,400	9.57	Van Buren Township	165,200	10.51
Imlay City	57,400	11.92	Walled Lake	46,600	12.02
Imlay Township	700	41.14	Warren	521,300	6.49
Inkster	61,100	5.30	Washington Township	111,000	11.86
Keego Harbor	15,400	11.96	Wayne	145,200	12.67
Lapeer	72,000	10.44	West Bloomfield Township	534,000	16.14
Lenox Township	15,000	7.79	Westland	312,400	7.81
Lincoln Park	114,400	6.34	Wixom	124,900	13.24
Livonia	707,300	11.28	Woodhaven	81,400	10.71
Macomb Township	561,200	13.80	Ypsilanti Community Utilities Authority	513,600	8.20
Madison Heights	103,000	6.07			

Annual Detroit Wholesale Revenue Requirement \$20,181,400 - Effective July 1, 2018

(1) Net fixed monthly charge will include credits for KWA debt service

*Wholesale charges went into effect July 1, 2018

GREAT LAKES WATER AUTHORITY WATER FUND

RATIOS OF OUTSTANDING DEBT BY TYPE

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016*</u>
Revenue bonds [1]	\$ 2,466,561,092	\$ 2,540,663,196	\$ 2,612,607,101	\$ 2,507,091,038
State revolving loans	<u>29,860,802</u>	<u>25,435,902</u>	<u>17,252,235</u>	<u>17,383,761</u>
Total	<u>\$ 2,496,421,894</u>	<u>\$ 2,566,099,098</u>	<u>\$ 2,629,859,336</u>	<u>\$ 2,524,474,799</u>
Total taxable value **	n/a	n/a	n/a	n/a
Total population served[2]:	3,800,000	3,800,000	3,800,000	3,800,000
Total debt per capita:	\$ 657	\$ 675	\$ 692	\$ 664
Per capital income [3]	\$ 53,748	\$ 51,493	\$ 50,863	\$ 48,692
Total debt as a percentage of income:	1.22%	1.31%	1.36%	1.36%

[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 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.

** GLWA does not 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

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GREAT LAKES WATER AUTHORITY WATER FUND

DEBT BY LIEN
As of June 30, 2019

	Original Principal Amount [1]	Outstanding as of June 30, 2019	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 2011A	379,590,000	293,970,000	293,970,000
Water Supply System Revenue Senior Lien Bonds, Series 2011B	17,195,000	3,950,000	3,950,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2011C	103,890,000	75,145,000	75,145,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D-1	206,540,000	189,875,000	189,875,000
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-3	62,700,000	1,390,000	1,390,000
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	84,325,000	84,325,000
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
	<u>2,597,080,000</u>	<u>1,578,700,000</u>	<u>1,578,700,000</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	200,000	200,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2014D-6	65,425,000	62,615,000	62,615,000
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	155,595,000	155,595,000
	<u>937,075,000</u>	<u>641,620,000</u>	<u>641,620,000</u>
SRF Junior Lien Bonds			
Water Supply System Revenue Bonds, Series 2005 SRF-1	13,805,164	6,025,164	6,025,164
Water Supply System Revenue Bonds, Series 2005 SRF-2	8,891,730	3,791,730	3,791,730
Water Supply System Revenue Bonds, Series 2006 SRF-1	5,180,926	2,240,926	2,240,926
Water Supply System Revenue Bonds, Series 2008 SRF-1	2,590,941	1,030,941	1,030,941
Water Supply System Revenue Bonds, Series 2016 SRF-1	8,273,168	8,053,168	8,053,168
Water Supply System Revenue Bonds, Series 2016 SRF-2	3,393,543	3,298,543	3,298,543
Water Supply System Revenue Bonds, Series 2017 SRF-1	6,675,000	5,420,330	6,675,000
Water Supply System Revenue Bonds, Series 2019 SRF-1	8,330,000	-	8,330,000
	<u>57,140,472</u>	<u>29,860,802</u>	<u>39,445,472</u>
TOTAL WATER SUPPLY SYSTEM REVENUE BONDS	<u>\$ 3,591,295,472</u>	<u>\$ 2,250,180,802</u>	<u>\$ 2,259,765,472</u>

GREAT LAKES WATER AUTHORITY WATER FUND

SCHEDULE OF DEBT SERVICE REQUIREMENTS

As of June 30, 2019

Fiscal Year Ending [1]	Senior Lien Bonds (in \$1,000s)			Second Lien Bonds (in \$1,000s)		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
2020 [2]	\$ 1,935	\$ 63,053	\$ 64,988	\$ 8,270	\$ 30,592	\$ 38,862
2021	44,070	78,738	122,808	16,870	30,558	47,428
2022	48,980	76,412	125,392	19,145	29,657	48,802
2023	52,225	73,881	126,106	15,505	28,791	44,296
2024	58,610	71,105	129,715	16,640	27,987	44,627
2025	61,550	68,084	129,634	17,540	27,133	44,673
2026	64,650	64,902	129,552	18,410	26,234	44,644
2027	67,915	61,574	129,489	19,335	25,291	44,626
2028	71,310	58,092	129,402	20,305	24,300	44,605
2029	74,870	54,436	129,306	21,320	23,259	44,579
2030	78,625	50,597	129,222	22,380	22,166	44,546
2031	82,550	46,566	129,116	26,310	20,949	47,259
2032	86,690	42,332	129,022	27,625	19,601	47,226
2033	91,015	37,888	128,903	29,005	18,328	47,333
2034	84,900	33,443	118,343	40,840	16,926	57,766
2035	93,165	28,923	122,088	38,555	15,143	53,698
2036	104,610	23,918	128,528	1,210	14,149	15,359
2037	13,255	20,932	34,187	118,605	11,153	129,758
2038	52,690	19,206	71,896	5	8,187	8,192
2039	59,775	16,251	76,026	5	8,187	8,192
2040	62,895	13,052	75,947	5	8,187	8,192
2041	66,180	9,685	75,865	5	8,187	8,192
2042	68,340	6,177	74,517	5	8,186	8,191
2043	15,905	3,997	19,902	29,630	7,446	37,076
2044	16,705	3,182	19,887	31,110	5,927	37,037
2045	17,535	2,326	19,861	32,670	4,333	37,003
2046	18,415	1,427	19,842	34,300	2,658	36,958
2047	19,335	483	19,818	36,015	900	36,915
2048	-	-	-	-	-	-
2049	-	-	-	-	-	-
Total	\$ 1,578,700	\$ 1,030,662	\$ 2,609,362	\$ 641,620	\$ 474,415	\$ 1,116,035

[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 accounts five business days prior to the due date of the bond principal and interest payments. Therefore, the payments for the principal and interest due on July 1, 2019, are not included in the debt service requirement amounts above as they were paid June 24, 2019.

Junior Lien Bonds (in \$1,000s)			Total (in \$1,000s)		
Principal	Interest	Total Debt Service	Total Debt Service as of June 30, 2019	Additional Future Junior Lien Debt Service on undrawn SRF Loans	Total Future Debt Service including undrawn SRF Loans
\$ 1,930	\$ 676	\$ 2,606	\$ 106,456	160	\$ 106,616
1,975	644	2,619	172,855	539	173,394
2,020	600	2,620	176,814	541	177,355
2,070	554	2,624	173,026	539	173,565
2,110	508	2,618	176,960	541	177,501
2,160	460	2,620	176,927	539	177,466
2,205	412	2,617	176,813	542	177,355
2,243	362	2,605	176,720	539	177,259
655	330	985	174,992	541	175,533
666	313	979	174,864	538	175,402
565	298	863	174,631	540	175,171
580	284	864	177,239	537	177,776
595	270	865	177,113	539	177,652
610	255	865	177,101	540	177,641
625	240	865	176,974	541	177,515
640	224	864	176,650	542	177,192
655	208	863	144,750	538	145,288
675	191	866	164,811	539	165,350
685	175	860	80,948	540	81,488
710	158	868	85,086	540	85,626
725	140	865	85,004	540	85,544
745	122	867	84,924	30	84,954
760	104	864	83,572	25	83,597
780	84	864	57,842	25	57,867
764	65	829	57,753	25	57,778
590	46	636	57,500	74	57,574
365	31	396	57,196	314	57,510
375	19	394	57,127	314	57,441
383	10	393	393	317	710
-	-	-	-	319	319
<u>\$ 29,861</u>	<u>\$ 7,783</u>	<u>\$ 37,644</u>	<u>\$ 3,763,041</u>	<u>\$ 12,398</u>	<u>\$ 3,775,439</u>

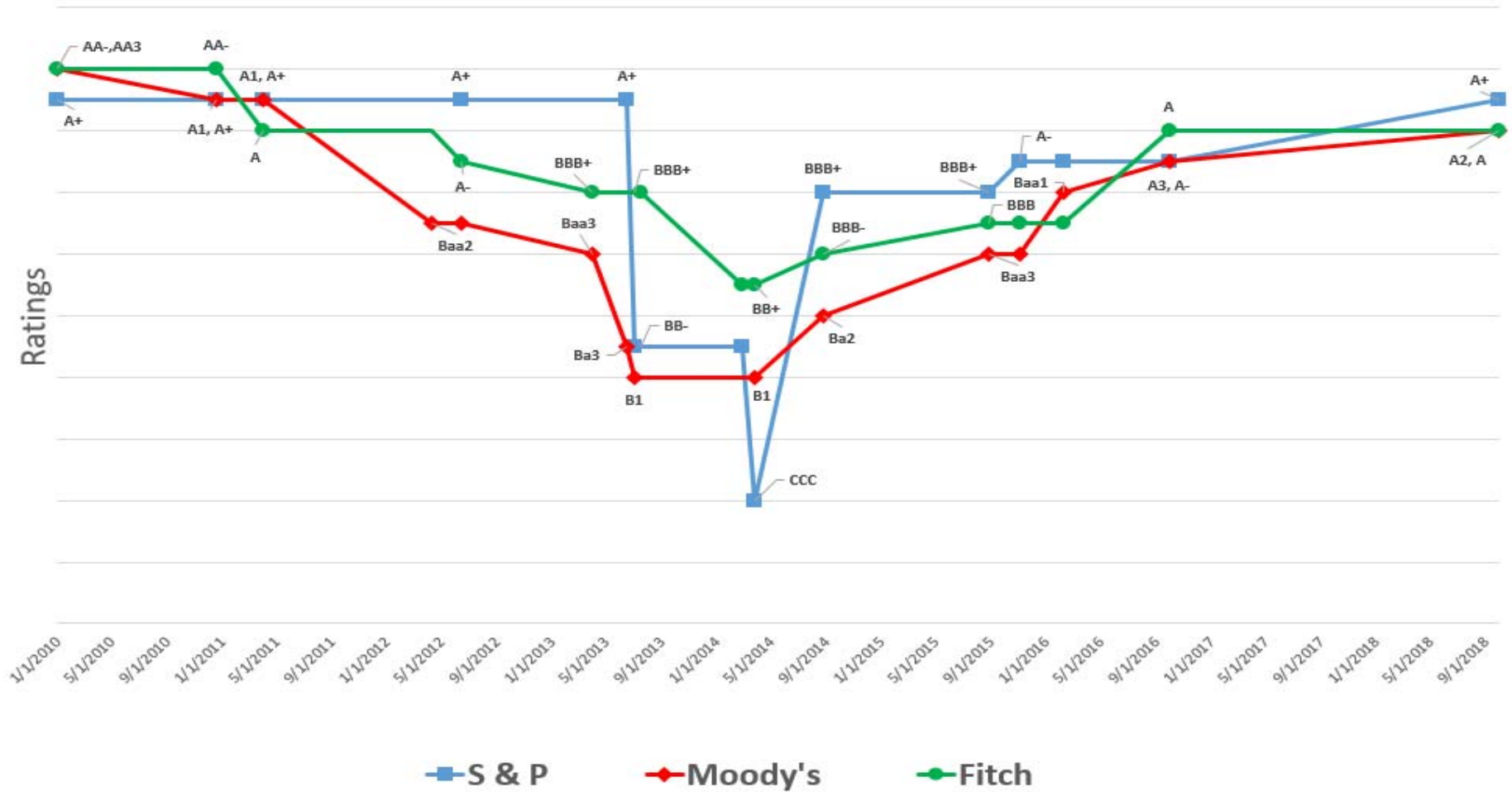
GREAT LAKES WATER AUTHORITY WATER FUND**CURRENT DEBT RATINGS**

As of June 30, 2019

Debt Type	Standard & Poor's	Rating Agency	
		Moody's	Fitch
Senior lien	AA-	A2	A
Second lien	A+	A3	A-
Junior lien	A+	N/A	N/A

GREAT LAKES WATER AUTHORITY WATER FUND

Water and Sewer Senior Lien - Debt Ratings History
As of June 30, 2019



GREAT LAKES WATER AUTHORITY WATER FUND

CALCULATION OF DEBT SERVICE COVERAGE - WATER FUND

As of June 30, 2019

The Authority has pledged Net Revenues of the system to secure the repayment of the principal and interest of the revenue bonds and State of Michigan revolving fund loans. Net Revenues are defined as all revenues except for those transferred to the Operations and Maintenance Fund. Revenues are defined in the Master Bond Ordinance and are in accordance with the State of Michigan Public Act 94, the Revenue Bond Act of 1933, as all monies collected, directly or indirectly, by GLWA or DWSD as agent for GLWA, under the water and sewer services agreement. A summary of the applicable debt service coverage as of June 30, 2019 is as follows:

	Water Fund			
	Adopted Budget	Amended Budget	Actual [5]	Variance
Operating Revenue				
Suburban Wholesale Customers [1]	\$ 307,382,500	\$ 307,382,500	\$ 304,419,633	\$ (2,962,867)
Detroit Customers				
Wholesale Service Charge Revenue [1]	20,181,400	20,181,400	20,181,400	-
Local Service Revenues [2]	70,912,900	70,912,900	63,354,585	(7,558,315)
Subtotal - Detroit Customers	91,094,300	91,094,300	83,535,985	(7,558,315)
Other Operating Revenue-GLWA	-	-	21,340	21,340
Other Operating Revenue-DWSD	6,600,300	6,600,300	6,481,980	(118,320)
Earnings on investments less construction fund investment earnings	3,836,600	9,425,400	11,818,203	2,392,803
Total Revenue	408,913,700	414,502,500	406,277,141	(8,225,359)
Operating Expenses				
Operations and Maintenance Regional System	121,562,600	121,562,600	117,714,203	(3,848,397)
Operations and Maintenance transfer to Local System	35,484,300	35,484,300	35,484,300	-
Legacy Pension Obligations Regional System [3]	6,048,000	6,048,000	6,048,000	-
Legacy Pension Obligations Local System [3]	4,272,000	4,272,000	4,272,000	-
Total Operating Expenses	167,366,900	167,366,900	163,518,503	(3,848,397)
Pledged revenues for the year ending June 30, 2019	\$ 241,546,800	\$ 247,135,600	\$ 242,758,638	\$ (4,376,962)
Principal and interest funding requirement for the year ending June 30, 2019 [4]:				
Senior Lien Bonds	\$ 119,230,800	\$ 119,230,800	\$ 119,230,820	\$ 20
Second Lien Bonds	49,020,400	46,214,500	46,214,385	(115)
Total Senior and Second Lien Bonds	168,251,200	165,445,300	165,445,205	(95)
Junior Lien Bonds	2,710,600	2,710,600	2,521,249	(189,351)
Total All Bonds	\$ 170,961,800	\$ 168,155,900	\$ 167,966,454	\$ (189,446)
Rate Covenant Debt Service Coverage [4]				
Senior Lien Bonds	2.03	2.07	2.04	(0.03)
Senior and Second Lien Bonds	1.44	1.49	1.47	(0.02)
All Bonds, Including SRF Junior Lien	1.41	1.47	1.45	(0.02)

[1] Total GLWA Regional System Wholesale Revenue reported net of bad debt allowance and \$6,979,503 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] Computed consistent with rate covenant basis for rate determination purposes. Not applicable for purposes of additional bond test calculation.

[5] Effective for the year ending June 30, 2019 operating expenses for the regional system reflect actual operating and maintenance expense of the operations funds rather than the budgeted operating and maintenance transfers as reported in the prior years. The operations and maintenance for the local system is the actual cash transfers to the local system O&M bank account.

GREAT LAKES WATER AUTHORITY WATER FUND

DEBT SERVICE COVERAGE HISTORY Last Four Years

	<u>2019 [3]</u>	<u>2018</u>	<u>2017</u>	<u>2016 [1]</u>
Pledged revenue	<u>\$ 242,758,638</u>	<u>\$ 259,822,627</u>	<u>\$ 272,268,873</u>	<u>\$ 270,117,396</u>
Principal and interest funding requirement [2]:				
Senior and second lien bonds				
Senior lien bonds	<u>\$ 119,230,820</u>	<u>\$ 127,687,420</u>	<u>\$ 134,234,660</u>	<u>\$ 128,177,999</u>
Second lien bonds	<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	<u>165,445,205</u>	<u>170,540,233</u>	<u>173,224,683</u>	<u>169,356,842</u>
Junior lien bonds	<u>2,521,249</u>	<u>2,009,658</u>	<u>1,785,328</u>	<u>1,781,683</u>
Total all bonds	<u>\$ 167,966,454</u>	<u>\$ 172,549,891</u>	<u>\$ 175,010,011</u>	<u>\$ 171,138,525</u>
Rate covenant debt service coverage [2]				
Senior lien bonds	2.04	2.03	2.03	2.11
Senior and second lien bonds	1.47	1.52	1.57	1.59
All bonds, including SRF junior lien	1.45	1.51	1.56	1.58

[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] Computed consistent with rate covenant basis for rate determination purposes. Not applicable for purposes of additional bond test.

[3] Effective for the year ending June 30, 2019 pledged revenue reflects actual operating and maintenance expenses for the regional system rather than budgeted operating and maintenance transfers as reported in prior years.

GREAT LAKES WATER AUTHORITY WATER FUND

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
2019	3,800,000	4.5%	\$ 53,748 [4]	\$ 162,377,261	\$ 42.73	0.08%
2018	3,800,000	4.3%	51,493	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%
2011 *	3,800,000	11.4%	40,607	164,435,900	43.27	0.11%
2010 *	3,800,000	13.9%	37,837	157,590,500	41.47	0.11%

[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 2019 the August 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 2010-2015 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 WATER FUND

LARGEST EMPLOYERS Current Year and 5 Years Ago

Employer	Fixed Monthly Type of Business	Fiscal Year 2019		Fiscal Year 2014	
		Full-time Employees	Rank	Full-time Employees	Rank
Ford Motor Co.	Automobile manufacturer	46,000	1	42,750	1
FCA US LLC/Chrysler Group LLC	Automobile manufacturer	34,452	3	30,580	2
General Motors Co.	Automobile manufacturer	32,770	4	30,570	3
University of Michigan	Public university and health system	35,350	2	29,855	4
Beaumont Health	Health care system	27,492	5	25,404	5
U.S. Government	Federal government	18,893	7	19,010	6
Henry Ford Health System	Health care system	26,929	6	17,949	7
Trinity Health	Health care system	16,403	9	14,056	8
Detroit Medical Center	Health care system	n/a	n/a	11,869	9
U.S. Postal Service	Postal Service	n/a	n/a	11,600	10
Rock Ventures	Umbrella entity managing a portfolio of companies in investment and real estate	17,887	8	n/a	n/a
Ascension Michigan/St. John Providence Health System	Health care system	12,616	10	n/a	n/a

Source: Crain's Detroit Business, Largest Southeast Michigan Employers - Ranked by full-time employees as of July 2019 and January 2014

GREAT LAKES WATER AUTHORITY WATER FUND

PRODUCED AND BILLED WATER VOLUMES Last Ten Years

Fiscal Year	Estimated Total Water Produced (Mcf) [1]	Reported Water Sales			Estimated Non-Revenue Water (Mcf)	Estimated Non-Revenue % of Production [3]
		Wholesale Customer Billed (Mcf)	Local System Billed (Mcf)	Total Water Billed (Mcf) [2]		
2010 *	25,142,700	15,676,300	3,924,000	19,600,300	5,542,400	22.0%
2011 *	26,513,000	16,094,700	4,176,600	20,271,300	6,241,700	23.5%
2012 *	27,219,500	16,280,300	3,903,100	20,183,400	7,036,100	25.8%
2013 *	26,832,800	15,687,900	3,660,300	19,348,200	7,484,600	27.9%
2014 *	26,088,800	14,778,500	3,410,600	18,189,100	7,899,700	30.3%
2015 *	23,238,000	13,547,000	3,173,700	16,720,700	6,517,300	28.0%
2016 *	23,580,700	14,730,400	3,086,400	17,816,800	5,763,900	24.4%
2017	23,915,600	14,824,000	2,912,030	17,736,030	6,179,570	25.8%
2018	23,228,600	14,391,768	2,876,255	17,268,023	5,960,577	25.7%
2019	20,968,100	13,708,571	2,806,192	16,514,763	4,453,337	21.2%

[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 wholesale amounts for all customers other than Detroit, Dearborn, and Highland Park. Water sales to those customers reflect, in part, estimated retail water sales during this period. GLWA is modifying this approach, which will result in larger reported water sales figures in future years.

[3] As noted in [1] and [2], these values are likely overestimated. GLWA expects flow measuring methods to result in lower values in future years.

* GLWA assumed operations on January 1, 2016. The information in this table from 2010-2015 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 WATER FUND

ADDITIONAL SUMMARY STATISTICS
Last Four Years

	2019	2018	2017	2016*
Capital Asset Statistics - Water				
Water Treatment Plants	5	5	5	5
Intake Facilities	3	3	3	3
Booster Pumping Stations	19	19	19	19
Water Storage Reservoirs	32	32	32	32
Miles of Transmission Lines	816	803	803	803
GLWA Employees				
Water Operations	213	205	180	155
Sewage Disposal Operations	369	358	342	320
Centralized Services	295	276	249	217
Administrative Services	147	129	110	90
Total Employees	<u>1024</u>	<u>968</u>	<u>881</u>	<u>782</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.



We are
One water.



GLWA
Great Lakes Water Authority

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