

GULL LAKE SEWER AND WATER AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
For the Years Ended March 31, 2019 and 2018

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SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Gull Lake Sewer and Water Authority

We have audited the accompanying financial statements, which consist of a single enterprise fund, of Gull Lake Sewer and Water Authority as of and for the years ended March 31, 2019 and 2018, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Gull Lake Sewer and Water Authority at March 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

Seber Tans, PLC

Seber Tans, PLC
Kalamazoo, Michigan
August 28, 2019

Gull Lake Sewer and Water Authority Management's Discussion and Analysis

Using This Annual Report

This annual report consists of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, and the Statements of Cash Flows. Along with the footnotes, they provide detailed financial information concerning the Authority (Gull Lake Sewer and Water Authority). This section, Management's Discussion and Analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

Financial Overview

In analyzing the Authority's financial position, it is important to recognize the mission of the Authority. From a financial perspective, the Authority's core objective is to manage the long-term costs of providing sanitary sewer service to the businesses and residents (collectively the Users) of participating Municipalities. The Authority acts as agent of the participating Municipalities. The quarterly amounts charged to Users approximate the operating costs incurred by the Authority in providing wastewater collection, operations, maintenance and replacement, including treatment of wastewater at the City of Kalamazoo's regional facility. In addition to the annual operating costs of providing sanitary sewer, the Authority is responsible for the repayment of long-term bonds and other debt obligations incurred from time-to-time to finance construction of various portions of the sanitary sewer system. Capital costs of new infrastructure are generally recovered from the benefiting property owners, the land owner(s) and/or developer(s), at the time the infrastructure is constructed, while replacement of existing infrastructure may be debt or cash financed and/or paid for from rates.

A significant non-cash expense of the Authority is depreciation. For budgeting purposes and setting User rates, management does not consider depreciation expense. Depreciation expense represents costs associated with the construction of the sanitary sewer system. Also, customer principal payments from assessments on the benefiting properties, customer payments of connection fees and Authority principal payments made on long-term financing are not reflected as revenues or expenses of the Authority.

	2019	2018
Total operating expense	\$ 2,037,386	\$ 1,920,213
Less depreciation and amortization	<u>(574,025)</u>	<u>(548,083)</u>
Operating expenses, net of depreciation and amortization	1,463,361	1,372,148
Users (expressed as units)	4,689	4,341
Cost per Unit	<u>\$ 312</u>	<u>\$ 316</u>

The Authority's costs of operating are primarily affected by (i) wastewater treatment charges from the City of Kalamazoo, (ii) the costs of employed personnel and (iii) the increasing cost of repair, rehabilitation and/or replacement. The sanitary sewer system covers a geographic area of 15 square miles. It is projected that over 500 new Users will connect to the sewer system over the next 10 years. Some of these users may be other than single family homes and contribute flow greater than single family homes (equivalent units of flow).

The Authority's net assets increased (decreased) \$160,285 in 2019 and \$(375,005) in 2018. The increase in 2019 primarily represents the excess of capital asset additions over annual depreciation expense. Sewer pipe valued at \$559,300 was installed at Gilmore Farms in 2019. The decrease in 2018 primarily represents the excess of annual depreciation expense not being offset by capital

Gull Lake Sewer and Water Authority Management's Discussion and Analysis

asset additions. In years net assets increase, the increase is driven primarily from new public sewer construction and benefiting property owners paying connection fees. In years with minimal sewer expansions, net assets decrease primarily due to depreciation expense. Construction activity has been increasing after minimal new sewer expansion in the Authority's district over the period, 2009-2019.

Authority assets, liabilities, and net assets are summarized as follows:

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Capital assets, net of depreciation	\$ 12,248,938	\$ 11,685,774	4.8
Other assets	<u>2,539,300</u>	<u>2,877,516</u>	(11.8)
Total assets	14,788,238	14,563,290	1.5
Other liabilities	<u>188,956</u>	<u>124,293</u>	52
Total liabilities	188,956	124,293	52
Net assets:			
Invested in capital assets, net of related debt	12,248,938	11,685,774	4.8
Unrestricted	<u>2,350,344</u>	<u>2,753,223</u>	(14.6)
Total net assets	<u>\$ 14,599,282</u>	<u>\$ 14,438,997</u>	1.1

Operating results for fiscal years 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>	<u>% Change</u>
Operating revenue	\$ 1,533,142	\$ 1,438,810	6.6
Operating costs	<u>2,037,386</u>	<u>1,920,213</u>	6.1
Net loss from operations	(504,244)	(481,403)	4.7
Net non-operating revenues	<u>36,084</u>	<u>23,918</u>	50.1
Loss before capital contributions	(468,160)	(457,485)	2.3
Capital contributions	<u>628,445</u>	<u>82,480</u>	661.9
Change in net assets	<u>\$ 160,285</u>	<u>\$ (375,005)</u>	(142.7)

Absent depreciation, the Authority had an excess of operating revenues over operating costs of approximately \$70,000 and \$67,000 for 2019 and 2018, respectively. Operating revenues increased by 6.6% for 2019 and decreased by 8.5% for 2018. Operating revenues include \$0 and \$71,491 of SAW Grant Reimbursement for 2019 and 2018, respectively. See page 5 for a discussion of the SAW grant.

Gull Lake Sewer and Water Authority Management's Discussion and Analysis

Treatment charges are a significant portion of the Authority's operating budget. After a period of rate increases approximating 7% increase per year (2003-2012), the City of Kalamazoo did not increase the treatment rate charged to the Authority (2013-2017), and the rate was lowered slightly in 2014. The City of Kalamazoo increased the rate by 3.7% in 2018 and by 4.3% in 2019. Also, the City of Kalamazoo implements annual or bi-annual "true up". In lieu of sending a check, true ups are now implemented by adjustments to the Township rate. A 1994 amendment to the Authority's 30 year contract for wastewater treatment services extends the Wastewater Discharge Contract with the City of Kalamazoo to July 2024. Renewal of this long-term wastewater treatment contract is anticipated prior to 2024.

In 2019 and 2018, the Authority recognized net contributed capital of \$628,445 and \$82,480, respectively. Based on review of the security of contractual liens, the Authority had stopped financing Utility Projects or Connection Fees for new users connecting to the system. The Authority reinstated Connection Fee Financing in early 2017. There were no Connection Fees financed as of FYE 2019. With respect to the security of User Fee receivables, per Michigan Attorney General's Opinion dated October 19, 2012, #7258, User Fee receivable liens on foreclosed properties are no longer enforceable; however, the amount of foreclosures is not material to the Authority's financial position.

Capital Assets and Debt Administration

The Authority had \$559,300 of completed sewer construction during fiscal 2019 and \$0 during fiscal 2018. In fiscal year 2019, developer pipe contributed included \$559,300 for Gilmore Farms. The Authority has completed an Asset Management Plan (AMP) / Capital Improvement Plan which proposes cash financing of capital improvements the next eight years, and debt financing for scheduled replacement / repair / improvements beginning in fiscal year 2028. In fiscal year 2020, the Authority approved CIP Projects totaling \$511,767.

During 2009, the Gilmore Farms Sanitary Sewer – 30th Street Project (public portion) was constructed for \$434,141. The Authority initially contributed \$113,000 towards the project and the developer contributed \$375,000 based on the estimated \$488,000 construction cost. In recognition of the developer contribution to the Project, the Authority and the Township agree to refund to the developer 50% of the Indirect Connection Fees received from the developer by the Authority on behalf of the Township from the first 300 residential units constructed on the property connecting to the Project and connecting to additional public sewer to be constructed by the developer at the developer's cost. Through the initial contribution and refund of connection fees, it is estimated that the Authority will be responsible for approximately 60% of the project cost. Developer connections began in fiscal year 2019. Should the number of new housing units reach approximately 700 in the future phases of the project, the Authority is obligated to construct a relief sewer for the district of approximately \$596,904 (2019 estimated cost). Although the developer has indicated there is not likely to be 700 new homes in this development in 2019, the financial commitment for the pipeline has been inserted into the Authority's long-term Capital Improvement Plan.

Beginning in calendar year 2011, the Authority initiated a program to locate, find, minimize and/or eliminate clean water from entering the public sewer system in order to control costs. Clean water (groundwater) enters the public sewer system primarily through leaks within the Authority's pipes system, leaks within the customer's property, and residential clean water sump pumps. The cost of initiating, implementing and administering this on-going program is expected to be offset by the long-term savings of treatment cost expense.

Gull Lake Sewer and Water Authority Management's Discussion and Analysis

Economic Factors and Next Year's Rates

Each year, the Authority monitors its cash flow for operating expenses and makes recommendations to the participating municipalities for rate increases necessary to fund operations and maintenance. The Authority, after thorough investigation of its system (2014-2017), prepared a 40-year Asset Management Plan that calls for the replacement of \$4 Million dollars of piping and ancillary assets over the next 10 years, starting in 2018, with continued system upgrades thereafter. The financial analysis of the plan projects rate increases of approximately 3.5% starting April 1, 2018, and each April 1st thereafter subject to annual review and updating of the Capital Improvement Plan. Beginning April 1, 2018, the Authority municipalities implemented a series of rate increases of \$3 per quarter over each of the next 4 years (11.5%). The primary drivers for the rate increase are (i) increasing costs (inflation) and (ii) necessary replacement (capital) as per the Asset Management Plan.

In fiscal 2019, the Authority approved a Letter of Intent with Charleston Township to act as the agent/operator including sewer billing for the sewer service district South of M96 effective January 1, 2019. The Authority is also the agent/operator for Cooper Township. The Authority bills for sewer service in these sewer districts but does not own the assets. The existing agreements with these Townships do not require that the Authority allocate a portion of the revenue billed for asset replacement in these sewer service districts. This may change in future agreements.

In fiscal 2020, the Authority submitted a proposal to provide water and sewer service excluding billing to the City of Galesburg.

The Authority has approximately 33% of its customer base that is serviced by public water from a neighboring entity and has completed preliminary work with a rate consultant to develop rates for sewer billing based on water meter data for those customers. Although this is intended to be revenue neutral at this time, sufficient margin will be included within the rate structure to assure the authority adequate revenue from these customers. Currently, commercial and industrial customers pay the single family home rate times a multiplier based on average domestic use by a single-family home expressed in units. For commercial customers served by public water, the public water meter has been used from time-to-time to calculate and adjust the units for the multiplier based upon actual consumption. The Authority recognizes the value of using of actual water use consumption to generate sewer use bills for both commercial and residential customers that have water meters. The implementation of this billing change has not yet been scheduled.

On May 8, 2014, the Authority was awarded a three year Storm and Wastewater Asset Management (SAW) Plan grant with the Michigan Department of Environmental Quality in the amount of \$1,285,523. The grant required a local match of \$206,286 which brought the total project amount to \$1,491,809. Eligible expenditures were reimbursed to the Authority. Under the SAW Grant the Authority was obligated to implement an Asset Management program that identifies current condition and replacement cost projections, and, if funding gaps were identified within the SAW plan, the Authority had to develop a long-term funding plan and increase rates to fund the plan. There were no significant funding gaps identified through this process.

Also, as part of the SAW grant process, the Authority pledged to work with neighboring communities whose infrastructure is used by the Authority for transporting wastewater from the Authority district to the Regional Wastewater Facility. Although not initially paid for by the Authority, the Authority recognizes its dependence on these "downstream interceptors" and as such, will be considering long-term agreements in 2018-2019 with downstream communities obligating the Authority for operations, maintenance, repair and replacement costs, the latter of which may be significant. It is

Gull Lake Sewer and Water Authority Management's Discussion and Analysis

anticipated the estimated costs of these long-term obligations will be identified prior to entering into these agreements and added to the Capital Improvement Plan.

In fiscal 2019, the Authority submitted SAW Grant expenses totaling \$0. In fiscal 2018, the Authority submitted SAW Grant expenses totaling \$79,434 and received reimbursement of \$71,491. The final SAW Grant amount and local match were \$783,421.62 and \$87,046.85, respectively. The Authority's SAW investigation into the condition of its infrastructure has identified several potential projects that will need to be funded. The Asset Management Plan / Capital Improvement Plan completed as part of the SAW Grant identifies specific projects and the timeline and is available for review at the Authority offices upon written request.

In Spring 2014, the Authority agreed to be a Plaintiff in a lawsuit against the City of Kalamazoo over the methodologies by which Kalamazoo sets its rates for wastewater treatment and services. Management believes it necessary, to preserve its rights to long-term treatment capacity and to better regulate how Kalamazoo charges its customers, to join eight other Plaintiffs in this action. The lawsuit was dismissed in June of 2015, with a tolling agreement (can be refiled at any time) as the Plaintiffs are continuing to work with the City of Kalamazoo on proposed 40-year wastewater (and water) agreements. Negotiations continue with Kalamazoo in this regard.

Contacting the Authority's Management

This financial report is intended to provide the Authority's citizens, taxpayers, customers, and investors with a general overview of the accountability for the money received by the Authority. If you have questions about this report or need additional information, the Authority welcomes you to contact John Crumb, Executive Director, or Anne Richmond, Executive Assistant, Gull Lake Sewer & Water Authority, at (269) 731-4595 or via email at crumbj@glswa.org or richmonda@glswa.org. Additional information is available on the Authority website at www.glswa.org.

Gull Lake Sewer and Water Authority
Statements of Net Position
March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 259,095	\$ 215,028
Customer accounts receivable	168,713	158,084
Contracts receivable	1,023	14,327
Other receivables	26,226	9,836
Total Current Assets	<u>455,057</u>	<u>397,275</u>
Other Assets		
Contracts receivable, excluding current portion	11,400	40,800
Designated cash and investments	2,072,843	2,439,441
Total Other Assets	<u>2,084,243</u>	<u>2,480,241</u>
Property and Equipment		
Fixed assets, net of accumulated depreciation of \$11,796,362 and \$11,301,211	12,248,938	11,685,774
Total Assets	<u>14,788,238</u>	<u>14,563,290</u>
LIABILITIES		
Current Liabilities		
Accounts payable	159,467	97,193
Other	29,489	27,100
Total Current Liabilities	<u>188,956</u>	<u>124,293</u>
Total Liabilities	<u>188,956</u>	<u>124,293</u>
NET POSITION		
Unrestricted assets	2,350,344	2,753,223
Invested in capital assets, net of related debt	12,248,938	11,685,774
Total Net Position	<u>\$ 14,599,282</u>	<u>\$ 14,438,997</u>

See Accompanying Notes to the Financial Statements

Gull Lake Sewer and Water Authority
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenues		
Charges for services	\$ 1,533,142	\$ 1,367,319
SAW Grant reimbursements	-	71,491
Total Revenues	<u>1,533,142</u>	<u>1,438,810</u>
Operating Expenses		
Salaries and wages	416,572	390,781
Fringe benefits	135,105	117,863
Contracted services	725,791	694,746
Utilities	93,026	86,635
Supplies	8,065	7,382
Maintenance and repairs	84,802	74,723
Depreciation	574,025	548,083
Total Operating Expenses	<u>2,037,386</u>	<u>1,920,213</u>
Operating Loss	(504,244)	(481,403)
Non-Operating Revenues (Expenses)		
Interest income	9,934	9,072
Lease income	11,650	16,646
Bad debt expense	-	(1,800)
Gain on sale of assets	14,500	-
Total Non-Operating Revenues	<u>36,084</u>	<u>23,918</u>
Change in Net Position from Operations Before Capital Contributions	(468,160)	(457,485)
Contributed capital	<u>628,445</u>	<u>82,480</u>
Change in Net Position	160,285	(375,005)
Net position at beginning of year	<u>14,438,997</u>	<u>14,814,002</u>
Net Position at End of Year	<u>\$ 14,599,282</u>	<u>\$ 14,438,997</u>

See Accompanying Notes to the Financial Statements

Gull Lake Sewer and Water Authority
Statements of Cash Flows
For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from users	\$ 1,522,513	\$ 1,352,532
Cash received from grant	-	71,491
Cash payments to suppliers for goods and services	(857,096)	(918,377)
Cash payments to employees for services	(551,677)	(508,646)
Net Cash Provided by (Used in) Operating Activities	<u>113,740</u>	<u>(3,000)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Other non-operating revenues	11,650	16,646
Proceeds from connection fees	90,141	94,409
Proceeds from contracts with municipalities	13,304	12,280
Proceeds from sale of fixed assets	14,500	-
Advances from other governments	2,389	-
Acquisition and construction of capital assets	(578,189)	(114,561)
Net Cash (Used in) Provided by Capital and Related Financing Activities	<u>(446,205)</u>	<u>8,774</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest earned on investments and receivables	9,934	9,072
Net Cash Provided by Investing Activities	<u>9,934</u>	<u>9,072</u>
Net Change in Cash and Cash Equivalents	(322,531)	14,846
Cash and cash equivalents at beginning of year	<u>2,654,469</u>	<u>2,639,623</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,331,938</u>	<u>\$ 2,654,469</u>
BALANCE SHEET CLASSIFICATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	\$ 259,095	\$ 215,028
Designated cash and investments	2,072,843	2,439,441
	<u>\$ 2,331,938</u>	<u>\$ 2,654,469</u>

See Accompanying Notes to the Financial Statements

	<u>2019</u>	<u>2018</u>
Supplemental Disclosures		
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (504,244)	\$ (481,403)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	574,025	548,083
Changes in operating assets and liabilities which provided (used) cash:		
Customer accounts	(10,629)	(14,787)
Accounts payable	54,588	(54,893)
Total Changes in Assets and Liabilities Included in Operating Results	<u>617,984</u>	<u>478,403</u>
Net Cash (Used in) Provided by Operating Activities	<u>\$ 113,740</u>	<u>\$ (3,000)</u>

Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018

NOTE A – Summary of Significant Accounting Policies

Authority Formation and Mission

Gull Lake Sewer and Water Authority (the Authority) was established by the Townships of Ross and Richland, Kalamazoo County, and the Townships of Barry and Prairieville, Barry County and incorporated under the provisions of Act 233, Public Acts of 1955, as amended. The Authority is governed by a board consisting of an elected official appointed from each of the constituent Townships. The Authority was formed to operate, maintain, administer and manage sewage collection systems and water systems pursuant to Act 94, Public Acts of 1933, as amended.

The Authority transports sewage through its system to the City of Kalamazoo under a treatment contract that expires in 2024. Management anticipates that the contract will be renewed prior to 2024.

Scope of Reporting Entity and Basis of Presentation

The financial statements of Gull Lake Sewer and Water Authority contain all the funds that are financially interdependent on the Authority's executive or legislative branches. The most significant manifestation in determining the reporting entity is financial interdependence. Other manifestations to be considered include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Other criteria used to evaluate potential component units for inclusion or exclusion in a reporting entity is the existence of special financing relationships regardless of oversight responsibilities. The Authority does not have any potential component units. Based on these criteria the Authority is considered a reporting unit and is not considered a component unit of the Townships.

Basis of Accounting

The statement of net position, the statement of revenues, expenses, and changes in net position and the statement of cash flows report information on all of the activities of the primary government (the "Authority"). The Authority engages in only business-type activities; business type activities rely significantly on fees and charges for services.

All activities of the Authority are accounted for in a single proprietary fund. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. Net assets are divided into the following components: invested in capital assets-net of related debt, restricted for debt service and other purposes, and unrestricted.

Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Activities of the Authority are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Operating activities include all revenues and expenses associated with sewer activities. Non-operating revenues and expenses relate primarily to financing and investing activities.

Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018

NOTE A – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, all highly liquid investments, with a maturity of three months or less when purchased.

Receivables

Contract receivables consist of contracts with member municipalities which are paid from assessments levied on individual properties for the extension of sewer services. Other contracts receivable consists of customer connection fees for hook ups and an extension of a sewer line to service a development. Receivables are evaluated annually and an allowance for uncollectible accounts is established if necessary.

Restricted and Designated Assets

To the extent the Authority has outstanding debt, certain deposits and investments are restricted by contract and/or Township ordinance. Additionally, the Board may designate other funds for future maintenance and capacity of the sewer system. Board designated funds are generated primarily from capital charges and transfers from operating cash. Costs of capital improvements and significant repairs and replacements may be funded from these designated assets.

Fixed Assets

Fixed assets of the Authority are accounted for on a cost of services or "capital maintenance" measurement focus. Fixed assets are valued at cost. Donated fixed assets are stated at their fair market value on the date donated.

Depreciation of all exhaustible fixed assets is charged as an expense against operations. Depreciation has been provided by using the straight-line method over the estimated useful lives of the related assets as follows: Buildings - 20 years, Sewer Lines - 50 years, Equipment - 10 years, Vehicles - 10 years and Water Lines - 50 years.

Capitalized Interest

Interest costs on debt incurred to finance fixed asset additions is capitalized during the construction period for additions greater than \$1,000,000 and six months duration. Interest is capitalized at the rate of the associated debt instrument based on the cost incurred on the related construction until such time as the sewer system is ready for service. The interest capitalized is added to the carrying cost of the sewer system. No interest costs were capitalized in 2019 or 2018.

Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. Estimates are subject to change and, accordingly, actual results may differ from the estimates used in preparation of the accompanying financial statements. These financial statements include estimates primarily as to the depreciable lives and salvage values of fixed assets, and the current portion of contracts receivables.

Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018

NOTE B – Cash, Deposits and Investments

The State of Michigan allows a political subdivision to authorize its treasurer or other chief financial officer to invest surplus funds belonging to and under the control of the entity into certain instruments described as follows: bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution in compliance with section 6 of PA 105 of 1855, MCL 21.146. Financial institution means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government. The Authority may invest in commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase; in United States government or federal obligation repurchase agreements; in bankers' acceptances of United States banks; in mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; or in surplus fund investment pools.

The Authority's cash and designated cash were held with ten different banking institutions with locations in southwest Michigan. Authority management monitors cash held at financial institutions and transfers cash balances that significantly exceed federal insurance limits.

Balances at March 31 related to cash and cash equivalents and deposits (including certificates of deposit with greater than 90 day maturities at purchase) are detailed on the balance sheets as follows:

	Totals (Memorandum Only)	
	2019	2018
Cash and cash equivalents	\$ 259,095	\$ 215,028
Designated assets (See Note D)		
Certificates of deposits	168,713	153,142
Deposits	1,904,130	2,286,299
	<u>2,072,843</u>	<u>2,439,441</u>
Totals	<u>\$ 2,331,938</u>	<u>\$ 2,654,469</u>

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. Deposit are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2019, approximately \$124,000 of the Authority's bank balances were exposed to custodial credit risk because they exceeded federal bank or credit union insurance limits.

Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018

NOTE C – Receivables

Customer accounts receivable represent current sewer usage charges receivable. Unpaid customer accounts receivables are added to the tax rolls after approximately one year.

Long-term contracts receivable at March 31 consists of the following:

	Current Portion		Total	
	2019	2018	2019	2018
Developer	\$ -	\$ -	\$ 11,400	\$ 40,800
Municipalities, assessment rolls	1,023	14,327	1,023	14,327
	<u>\$ 1,023</u>	<u>\$ 14,327</u>	12,423	55,127
Less current portion			<u>(1,023)</u>	<u>(14,327)</u>
Totals			<u>\$ 11,400</u>	<u>\$ 40,800</u>

Contracts receivable from a developer consists of one contract for the extension of a sewer line to service a development in Richland Township. At March 31, 2019 and 2018, the receivable is due as connections are made at the rate of \$600 per connection. The developer's obligation for repayment of this receivable is limited to new connections on the property. The Authority re-evaluated the expected future cash flows from the developer and recorded a valuation allowance of \$29,400 as of March 31, 2019.

Contracts receivable from connection fees represent amounts due from individuals and businesses for their initial connection to the sewer system. The amounts are receivable over a contractual term, usually requiring annual payments over 5 years from the date of connection, plus interest at 5% per annum on the unpaid balance and are secured by a lien on the premises.

Contracts receivable from municipalities represent contractual amounts that are secured by special assessment rolls. Under the contracts, collection of special assessment rolls is made by the appropriate municipality and transferred to the Authority. The collections represent charges to the municipalities' residents and businesses for construction of the sewer system. The fees are paid annually at terms ranging from 10 years to 20 years, plus interest at 1% over the cost of borrowing. At March 31, 2019, one township accounted for 100% of the contract receivables. The individual residents and businesses are legally responsible for payment of the fees. This disperses the credit risk over the premises in the geographic area. The assessments become priority liens on each assessed premises. Additionally, unpaid portions of assessments due become tax liens due and payable in the same manner as property taxes.

The Authority evaluates the collectability of contracts receivable and connection fees annually. Contracts are secured by mechanics liens on the properties and management believes the amounts receivable will be realized through repayment or through the collateral. With the exception of the developer receivable described above, no allowance for doubtful accounts has been made in the accompanying financial statements.

Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018

NOTE D – Restricted and Designated Assets

Cash and investments at March 31 are Board designated for the following purposes:

	<u>2019</u>	<u>2018</u>
Board designated for:		
Capital improvements	47,399	413,495
Construction of water facilities	767	8,358
Larger equipment replacements	1,928,545	1,940,240
Other	96,132	77,348
Total	<u>\$ 2,072,843</u>	<u>\$ 2,439,441</u>

NOTE E – Summary of Property and Equipment

The property and equipment of the Authority, together with changes therein for the year ended March 31, 2019, are detailed as follows:

	<u>Balances</u> <u>April 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balances</u> <u>March 31, 2019</u>
Cost				
Land and improvements	\$ 649,642	\$ 3,100	\$ -	\$ 652,742
Buildings	557,692	321,052	-	878,744
Equipment	1,368,403	86,340	-	1,454,743
Sewer system	20,216,785	633,645	-	20,850,430
Vehicles	194,463	93,052	(78,874)	208,641
Total Property and Equipment	<u>22,986,985</u>	<u>1,137,189</u>	<u>(78,874)</u>	<u>24,045,300</u>
Accumulated depreciation				
Land and improvements	134,338	1,665	-	136,003
Buildings	316,771	36,092	-	352,863
Equipment	1,000,478	97,244	-	1,097,722
Sewer system	9,721,083	416,181	-	10,137,264
Vehicles	128,541	22,843	(78,874)	72,510
Total Accumulated Depreciation	<u>11,301,211</u>	<u>574,025</u>	<u>(78,874)</u>	<u>11,796,362</u>
Net Property and Equipment	<u>\$ 11,685,774</u>	<u>\$ 563,164</u>	<u>\$ -</u>	<u>\$ 12,248,938</u>

Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018

NOTE E – Summary of Property and Equipment (Continued)

The property and equipment of the Authority, together with changes therein for the year ended March 31, 2018, are detailed as follows:

	Balances April 1, 2017	Additions	Disposals	Balances March 31, 2018
Cost				
Land and improvements	\$ 643,642	\$ 6,000	\$ -	\$ 649,642
Buildings	556,246	1,446	-	557,692
Equipment	1,296,097	72,306	-	1,368,403
Sewer system	20,214,035	2,750	-	20,216,785
Vehicles	162,404	32,059	-	194,463
Total Property and Equipment	22,872,424	114,561	-	22,986,985
Accumulated depreciation				
Land and improvements	132,828	1,510	-	134,338
Buildings	296,032	20,739	-	316,771
Equipment	899,098	101,380	-	1,000,478
Sewer system	9,317,439	403,644	-	9,721,083
Vehicles	107,731	20,810	-	128,541
Total Accumulated Depreciation	10,753,128	548,083	-	11,301,211
Net Property and Equipment	<u>\$ 12,119,296</u>	<u>\$ (433,522)</u>	<u>\$ -</u>	<u>\$ 11,685,774</u>

NOTE F – Storm and Wastewater Asset Management Plan Grant

On May 8, 2014, the Authority was awarded a three year Wastewater Asset Management Plan grant with the Michigan Department of Environmental Quality in the amount of \$1,285,523. The grant required the Authority to match \$206,286 for a total project amount to \$1,491,809. Eligible expenditures were reimbursed to the Authority.

Under the Grant, the Authority was obligated to implement an Asset Management program that identifies the current condition and replacement cost projections of each significant asset; develop a long-term funding plan; and increase rates to fund the plan. The Authority has commenced a plan to implement rate increases of approximately 3.5% that started on April 1, 2018 and on each April 1st thereafter subject to annual review and updating of the Capital Improvement Plan.

The SAW Grant was a cost reimbursement grant. The Authority recognized revenues under the Grant as they were earned. Expenses were recognized when incurred. The final reimbursements under the grant were recognized in the year ended March 31, 2018.

During the year ended March 31, 2018, the Authority incurred approximately \$79,500 of costs performing services covered by the SAW grant. The Authority was reimbursed approximately \$71,500 under the Grant. Costs incurred were: contracted services - \$32,560; engineering - \$8,400; wages - \$15,800; camera - \$13,500, flow monitoring - \$4,300 and other - \$4,800.

**Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018**

NOTE F – Storm and Wastewater Asset Management Plan Grant (Continued)

The Authority's SAW investigation into the condition of its infrastructure has identified several potential projects that will need to be funded in the next 5-10 years.

NOTE G – Retirement Plan

The Authority has a defined contribution retirement plan established under Section 401(a) of the Internal Revenue Code. The Gull Lake Sewer and Water Authority Group Retirement Plan covers all eligible employees. The Authority has the right to amend or terminate the Plan at any time. Contributions by the employer are fixed at the discretion of the Authority and individual accounts are maintained for each participant. Employees may contribute pre-tax contributions ranging from 2% to 10% of eligible wages. Employer contributions for the years ended March 31, 2019 and 2018 were approximately 9% of covered payroll. Total retirement expense was \$38,000 and \$34,000 in 2019 and 2018, respectively.

The Authority also has a 457 Supplemental Deferred Compensation plan. All employees of the Authority are eligible to participate. The Authority does not make any contributions.

NOTE H – Concentrations and Business Activity

For the years ended March 31, 2019 and 2018, the Authority had two major customers that individually account for 10% or more of the Authority's total revenue for the year. The fees from these two customers were approximately 23% and 19% of the total revenue for the years ended March 31, 2019 and 2018, respectively.

NOTE I – Look Back Treatment Charges

Treatment charges billing rates are set by the City of Kalamazoo based on their anticipated annual costs over anticipated treatment flow. After actual costs and treatment flows are compiled, the City adjusts the Authority's treatment charge rate and bills the Authority for past treatment flows for the difference between the estimated and actual rate. In fiscal 2019 and 2018, the Authority did not receive a "look back" treatment charge or credit. While the amount of the treatment rate adjustment cannot be predicted, management does not anticipate significant adjustments in future years.

NOTE J – Commitments and Contingencies

The Authority, in the normal operation of its activities, has exposure for damage to residential and commercial property and personal injury resulting from the operation or construction of its sewer system. The Authority's board believes that commercial coverage and funds accumulated and designated for significant replacements, as disclosed in Note D, are adequate to cover the associated risk.

On occasion, the Authority works with municipalities and developers for potential utility projects. Should the Authority Board determine that it is in the best interest of the current and future users of the system, capital improvement funds may be invested in these projects.

**Gull Lake Sewer and Water Authority
Notes to Financial Statements
For the Years Ended March 31, 2019 and 2018**

NOTE J – Commitments and Contingencies (Continued)

In the Spring of 2014, the Authority agreed to be a Plaintiff in a lawsuit against the City of Kalamazoo over the methodologies by which Kalamazoo sets its rates for wastewater treatment and services. Management believes it necessary to preserve its rights to long-term treatment capacity and to better regulate how Kalamazoo charges its customers. The lawsuit was dismissed in June of 2015, with a tolling agreement (can be refiled at any time) and the Plaintiffs are working with the City of Kalamazoo on a proposed 40-year wastewater (and water) agreement. The Authority and other plaintiffs have borne the costs of the lawsuit and will bear additional costs during the contract negotiations. Management does not believe the costs will have a material impact on the Authority.

NOTE K – Subsequent Events

Management has evaluated subsequent events through August 28, 2019, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Gull Lake Sewer and Water Authority
Schedule of Operating Expenses Compared to Budget
For the Year Ended March 31, 2019
(Comparative Actual Amounts for the Year Ended March 31, 2018)

	2019		Variance - Favorable (Unfavorable)	2018 Actual
	Budget	Actual		
Salaries and wages	\$ 407,000	\$ 416,572	\$ (9,572)	\$ 390,781
Fringe benefits:				
Social security	29,830	30,903	(1,073)	29,022
Hospitalization	66,500	58,117	8,383	47,643
Life insurance	484	466	18	366
Retirement	37,000	37,680	(680)	34,119
Disability	2,847	2,516	331	2,347
Dental, vision and fees	6,365	5,423	942	4,366
	<u>143,026</u>	<u>135,105</u>	<u>7,921</u>	<u>117,863</u>
Contracted services:				
Insurance/worker's compensation	18,000	17,789	211	16,117
Contracted services	85,000	61,413	23,587	98,069
Treatment charges	536,888	579,924	(43,036)	507,344
Sump pump	3,000	-	3,000	-
Engineering	8,000	19,536	(11,536)	27,265
Publications/printing	5,000	1,099	3,901	1,718
Audit	7,500	7,500	-	7,300
Legal	6,000	3,420	2,580	6,110
Radio	3,000	1,360	1,640	663
Dues/education/sales	3,000	5,561	(2,561)	3,236
Mileage/travel/entertainment	7,000	8,985	(1,985)	7,895
Authority meetings	3,150	3,100	50	2,925
Regional Commission membership	16,104	16,104	-	16,104
	<u>701,642</u>	<u>725,791</u>	<u>(24,149)</u>	<u>694,746</u>
Utilities:				
Fuel gasoline and diesel	12,000	13,905	(1,905)	11,215
Electric and gas	70,000	68,161	1,839	65,479
Telephone	11,000	10,960	40	9,941
	<u>93,000</u>	<u>93,026</u>	<u>(26)</u>	<u>86,635</u>
Supplies:				
Postage	7,000	6,108	892	6,041
Office	3,000	1,957	1,043	1,341
	<u>10,000</u>	<u>8,065</u>	<u>1,935</u>	<u>7,382</u>
Maintenance and repairs:				
General maintenance	15,000	29,686	(14,686)	22,474
Field operations	20,000	26,649	(6,649)	15,193
Repairs and maintenance	38,949	28,467	10,482	37,056
	<u>73,949</u>	<u>84,802</u>	<u>(10,853)</u>	<u>74,723</u>
Totals, Excluding Depreciation	<u>\$ 1,428,617</u>	<u>\$ 1,463,361</u>	<u>\$ (34,744)</u>	<u>\$ 1,372,130</u>

See Accompanying Independent Auditors' Report

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

August 28, 2019

To the Board of Supervisors and General Manager
of Gull Lake Sewer and Water Authority

In planning and performing our audit of the financial statements Gull Lake Sewer and Water Authority for the year ended March 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Gull Lake Sewer and Water Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Authority's internal control to be a significant deficiency:

Separation of duties

Due to the small size of the Authority's office staff, separation of duties is limited. The Executive Assistant has access to assets, records the asset transactions in the accounting system, and reconciles the accounting records. As a result, the risk of loss, error, or irregularities increases. We recommend that the Authority Supervisors review key financial reports and reconciliations periodically for unusual matters. In addition, fidelity bonding of all personnel with access to accounting records and assets of the Authority should be considered. This is a repeat finding from the prior year.

This communication is intended solely for the information and use of the Board of Supervisors and Management of Gull Lake Sewer and Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

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Seber Tans, PLC

SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

August 28, 2019

To the Board of Supervisors and Director of
Gull Lake Sewer and Water Authority

We have audited the financial statements (a single enterprise fund) of Gull Lake Sewer and Water Authority for the year ended March 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 30, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gull Lake Sewer and Water Authority are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Gull Lake Sewer and Water Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Gull Lake Sewer and Water Authority's financial statements were:

Management's estimate of the depreciation based on the economic useful lives of the assets, the current portions of assessments and contracts receivable based on contractual terms and past history, the collections of assessments and user bills receivable based on past history, status of current accounts, and applicable lien laws. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

To the Board of Supervisors and
Director of Gull Lake Sewer
and Water Authority

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all misstatements. Adjustments proposed and made have been provided to you. Some of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. Management prepares the financial statements primarily on the cash basis. The material adjustments made by management were to reflect accrual entries and to report the financial statements in the format required by *Government Accounting Standards*.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 28, 2019.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Gull Lake Sewer and Water Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on Operating Expenses Compared to Budget, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

To the Board of Supervisors and
Director of Gull Lake Sewer
and Water Authority

This information is intended solely for the use of the Board of Supervisors, Director, and Management of Gull Lake Sewer and Water Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Seber Tans, PLC

Seber Tans, PLC

29650:GULL LAKE SEWER AND WATER AUTHORITY

Year End: March 31, 2019

Adjusting Journal Entries

Date: 4/1/2018 To 3/31/2019

Number	Date	Name	Account No	Reference	Annotation	Debit	Credit	Recurrence	Misstatement
1	3/31/2019	Dev.Rec. Contract to S/T	590-000-142.000				-13,303.89		
1	3/31/2019	Connection Fees, Contract S/T	590-000-143.000			13,303.89			
To adjust short term receivables.									
2	3/31/2019	Fixed Assets	590-000-190.000			2,402.50			
2	3/31/2019	Fixed Assets	590-000-190.000			4,852.50			
2	3/31/2019	Fixed Assets	590-000-190.000			7,610.25			
2	3/31/2019	Fixed Assets	590-000-190.000			1,974.00			
2	3/31/2019	Fixed Assets	590-000-190.000			321,051.78			
2	3/31/2019	Fixed Assets	590-000-190.000			35,630.23			
2	3/31/2019	Fixed Assets	590-000-190.000			368.00			
2	3/31/2019	Augusta Drive Sewer Extension	590-000-701.000				-2,402.50		
2	3/31/2019	WGLD Sewer Relocation	590-000-701.001				-4,852.50		
2	3/31/2019	Gull Lake Water	590-000-704.000				-7,610.25		
2	3/31/2019	Repair & Replacement	590-000-705.000				-1,072.50		
2	3/31/2019	Gilmore Farms Sanitary Sewer	590-000-745.000				-368.00		
2	3/31/2019	Building Renovation (Capital)	590-000-750.000				-1,974.00		
2	3/31/2019	Building Renovation (Capital)	590-000-750.000				-321,051.78		
2	3/31/2019	Capital Improvement Projects	590-000-751.000				-34,557.73		
To reclassify costs to fixed assets.									
3	3/31/2019	Fixed Assets	590-000-190.000			559,300.00			
3	3/31/2019	Contributed Capital User	590-000-300.000				-657,845.00		
3	3/31/2019	Connection Fees	590-000-415.000				-559,300.00		
3	3/31/2019	Connection Fees	590-000-415.000			657,845.00			
To record donated pipe by developer for Gilmore Farms and reclassify connection fees from revenue to contributed capital									
4	3/31/2019	Fixed Assets	590-000-190.000				-17,422.00		
4	3/31/2019	Fixed Assets	590-000-190.000				-41,581.04		
4	3/31/2019	Fixed Assets	590-000-190.000				-19,870.60		
4	3/31/2019	Fixed Assets	590-000-190.000			6,500.00			
4	3/31/2019	Fixed Assets	590-000-190.000			8,000.00			
4	3/31/2019	Depreciation-Accum.	590-000-195.000			17,422.00			
4	3/31/2019	Depreciation-Accum.	590-000-195.000			41,581.04			
4	3/31/2019	Depreciation-Accum.	590-000-195.000			19,870.60			
4	3/31/2019	Gain/Loss on sale of assets	590-000-760.000				-14,500.00		
Fixed assets sold during 2019: 2006 GMC PU, 2007 GMC 2500 and remove Ford truck no longer held.									
5	3/31/2019	Depreciation-Accum.	590-000-195.000				-574,025.31		
5	3/31/2019	Miscellaneous	590-000-615.000			0.01			
5	3/31/2019	FUNDED DEPREC	590-000-770.000			574,025.30			
To record depreciation expenses for the year.									
6	3/31/2019	Due Fr. Developer-Contra account	590-000-148.100				-29,400.00		
6	3/31/2019	Contributed Capital User	590-000-300.000			29,400.00			
To record write down on Weatherstone Village balance.									
						2,301,137.10	-2,301,137.10		
Net Income (Loss) (468,160.24)									