



**Kent County, Michigan**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**



Vredeveld Haefner LLC  
CPAs and Consultants

# NORTH KENT SEWER AUTHORITY

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### INDEPENDENT AUDITORS' REPORT

March 15, 2018

North Kent Sewer Authority  
Board of Trustees  
Kent County, Michigan

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Kent Sewer Authority (the Authority), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Authority, as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the budgetary comparison information on pages 29 and 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate 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 combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Oredavold Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# Management's Discussion and Analysis

As management of the North Kent Sewer Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

The North Kent Sewer Authority is a joint venture established to construct and maintain a sewer system plant and infrastructure utilized by participating municipalities. Participating municipalities include Alpine, Cannon and Courtland Townships, Plainfield Charter Township and the City of Rockford.

## Financial Highlights

- Trains 1 and 2 were replaced for \$1,038,450 in the first year of a three-year membrane replacement project.
- The second year of a three year MDEQ SAW grant project was completed.
- The 2007 Bonds were refinanced and the projected savings are allocated to capital improvement projects.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. The government-wide financial statements include only the Authority itself (a special purpose government). The Authority has no legally separate component units for which the Authority is financially accountable. In this report, financial information for the Authority is reported separately from the financial information of joint venture participants.

The *statement of net position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., payments on debt and compensated absences).

Both of the government-wide financial statements display functions of the Authority that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Authority include public works and interest payments on bonds outstanding. The Authority does not have any business-type activities.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Authority are governmental funds. The Authority does not utilize proprietary or fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Authority maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, sewer collection special revenue fund, wastewater treatment plant debt service fund, SRF bonds debt service fund and improvement capital projects fund each of which are considered to be a major fund.

Data is combined into a single aggregated presentation for the other governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements*.

The Authority adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information includes this management's discussion and analysis and budget and actual comparisons for the general and sewer collection special revenue funds.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$11,945,611 at the close of the most recent fiscal year.

The most significant portion of the Authority's net position reflects investment in capital assets (e.g., land, plant and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to joint venture participants; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Following is a summary of net position of the system:

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2017</b>
<b>Assets</b>		
Current assets	\$ 4,192,656	\$ 4,095,213
Noncurrent assets		
Due from other governments	8,907,522	8,172,783
Capital assets	52,033,376	51,681,593
<b>Total assets</b>	<u>65,133,554</u>	<u>63,949,589</u>
<b>Liabilities</b>		
Current liabilities	404,067	420,195
Long-term liabilities	54,474,256	51,583,783
<b>Total liabilities</b>	<u>54,878,323</u>	<u>52,003,978</u>
<b>Net position</b>		
Net invested in capital assets	7,253,701	9,078,143
Restricted	2,276,973	2,179,794
Unrestricted	724,557	687,674
<b>Total net position</b>	<u>\$10,255,231</u>	<u>\$11,945,611</u>

Net position of the Authority increased by \$1,690,380. The increase in net position is primarily the result of the timing difference between when joint venture participants provide funding for debt service on capital bonds and when depreciation is recorded on the capital assets funded by these bonds.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2017</b>
<b>Revenue</b>		
Program revenue		
Charges for services	\$6,972,151	\$7,128,693
Operating & Capital grants	22,545	56,083
General revenue		
Unrestricted interest earnings	6,573	2,203
<b>Total revenue</b>	<u>7,001,269</u>	<u>7,186,979</u>
<b>Expenses</b>		
Public works	4,375,991	4,205,271
Interest	1,901,094	1,291,328
<b>Total expenses</b>	<u>6,277,085</u>	<u>5,496,599</u>
Increase in net position	724,184	1,690,380
<b>Net position, beginning of year</b>	<u>9,531,047</u>	<u>10,255,231</u>
<b>Net position, end of year</b>	<u>\$10,255,231</u>	<u>\$11,945,611</u>

#### **Governmental activities**

During the year approximately 77% of Authority expenses were for public works which included \$2,757,105 for operation and maintenance of the system and \$1,448,166 for depreciation of system infrastructure. The remaining \$1,291,328 of total expenses was for interest and other bond costs.

## **Financial Analysis of the Government's Funds**

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the Authority's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Authority's financing requirements. In particular, *fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Authority's governmental funds reported combined ending fund balances of \$2,867,467, a decrease of \$134,062 in comparison with the prior year. This decrease is primarily the result of timing differences on when connection fees are received and the applicable debt payment is made.

The general fund is the chief operating fund of the Authority. At the end of the current fiscal year, unassigned fund balance of the general fund was \$613,331. As a measure of the general fund's liquidity, it is important to note that the general fund operates on a reimbursement basis from joint venture participants.

### **Budgetary Highlights**

- Pumps were replaced at the Grass Lake and Sunfish Lake lift stations.
- Increased sludge production and Kent County fees increased hauling fees.
- Additional \$46,800 was contributed to the Capital Improvement Fund.

### **Capital Asset and Debt Administration**

**Capital assets.** The Authority's investment in capital assets for its governmental activities as of December 31, 2017, amounted to \$51,681,593 (net of accumulated depreciation).

The Authority's capital assets (net of depreciation) are summarized as follows:

<b><u>Governmental Activities</u></b>	
Land and right-of-way	\$ 874,265
Depreciable assets	<u>50,807,328</u>
<b>Total</b>	<b><u>\$51,681,593</u></b>

Additional information on the Authority's capital assets can be found in Note 3 of this report.

**Debt.** At the end of the current fiscal year, the Authority had bonded debt of \$47,122,061, unamortized bond premiums of \$4,388,911 and compensated absences of \$72,811 outstanding.

Additional information on the Authority's long-term debt can be found in Note 4 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- FY 2018 Approved budget reflects expected third year SAW Grant expenses along with NKSA 10% match. MDEQ will refund 90% of eligible SAW expenses.
- Budgeted \$1,052,144 to replace trains 3 and 4 as part of the 3 year membrane replacement program.
- Increased budgeted capital contributions due to projected savings from lower bond expenses.

## **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the North Kent Sewer Authority, Treasurer, 7 South Monroe, P.O. Box 561, Rockford, MI 49341-0560.

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## **BASIC FINANCIAL STATEMENTS**

# NORTH KENT SEWER AUTHORITY

## *STATEMENT OF NET POSITION*

*DECEMBER 31, 2017*

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	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash	\$ 2,399,637
Due from other governments	1,633,298
Prepaid items	62,278
Due from other governments long-term	8,172,783
Capital assets	
Land and right-of-way	874,265
System infrastructure (net of accumulated depreciation)	<u>50,807,328</u>
<b>Total assets</b>	<u>63,949,589</u>
<b>Liabilities</b>	
Accounts payable	89,177
Accrued liabilities	331,018
Noncurrent liabilities	
Compensated absenses	72,811
Unamortized bond premium	4,388,911
Due within one year	2,660,000
Due in more than one year	<u>44,462,061</u>
<b>Total liabilities</b>	<u>52,003,978</u>
<b>Net position</b>	
Net investment in capital assets	9,078,143
Restricted for	
Debt service	222,271
Capital projects	1,957,523
Unrestricted	<u>687,674</u>
<b>Total net position</b>	<u>\$ 11,945,611</u>

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

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# NORTH KENT SEWER AUTHORITY

## ***STATEMENT OF ACTIVITIES***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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<b><u>Functions/Programs</u></b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>		
<b>Primary government</b>					
Governmental activities					
Public works	\$ 4,205,271	\$ 7,128,693	\$ 56,083	\$ 2,979,505	
Interest on long-term debt	<u>1,291,328</u>	<u>-</u>	<u>-</u>	<u>(1,291,328)</u>	
Total governmental activities	<u>\$ 5,496,599</u>	<u>\$ 7,128,693</u>	<u>\$ 56,083</u>		1,688,177
General revenues					
Unrestricted interest earnings					<u>2,203</u>
Change in net position					1,690,380
<b>Net position, beginning of year</b>					<u>10,255,231</u>
<b>Net position, end of year</b>					<u>\$ 11,945,611</u>

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

# NORTH KENT SEWER AUTHORITY

## ***GOVERNMENTAL FUNDS BALANCE SHEET***

***DECEMBER 31, 2017***

	Special Revenue				Debt Service	
	Wastewater		Treatment Plant		SRF Bonds	
	General	Sewer Collection	-	-	-	-
<b>Assets</b>						
Cash	\$ 406,702	\$ 20,002	\$ 209,361	\$ -	\$ -	\$ -
Due from other governments	234,147	80,969	1,084,111	-	7,542,062	-
Due from other funds	54,487	-	-	-	-	-
Prepaid items	62,278	-	-	-	-	-
<b>Total assets</b>	<b>\$ 757,614</b>	<b>\$ 100,971</b>	<b>\$ 1,293,472</b>	<b>\$ 7,542,062</b>		
 <b>Liabilities, deferred inflows and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 61,040	\$ 28,137	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	20,965	6,283	-	-	-	-
Due to other funds	-	54,487	-	-	-	-
<b>Total liabilities</b>	<b>82,005</b>	<b>88,907</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Deferred inflows of resources</b>						
Unavailable revenue - contracts	-	-	1,079,750		7,542,062	
 <b>Fund balances</b>						
Nonspendable:						
Prepaid items	62,278	-	-	-	-	-
Restricted for:						
Capital projects	-	-	-	-	-	-
Debt service	-	-	213,722		-	-
Assigned for sewer collection	-	12,064	-	-	-	-
Unassigned	613,331	-	-	-	-	-
<b>Total fund balances</b>	<b>675,609</b>	<b>12,064</b>	<b>213,722</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 757,614</b>	<b>\$ 100,971</b>	<b>\$ 1,293,472</b>	<b>\$ 7,542,062</b>		

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

<b>Capital Projects</b>		
<b>Improvement Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ 1,755,023	\$ 8,549	\$ 2,399,637
202,500	285,711	9,429,500
-	-	54,487
-	-	62,278
<hr/>	<hr/>	<hr/>
\$ 1,957,523	\$ 294,260	\$ 11,945,902

\$	-	\$	-	\$	89,177
	-		-		27,248
	-		-		54,487
	-		-		170,912
	-		285,711		8,907,523

	-	-	62,278
1,957,523	-	-	1,957,523
-	8,549	-	222,271
-	-	-	12,064
<u>-</u>	<u>-</u>	<u>-</u>	<u>613,331</u>
<u>1,957,523</u>	<u>8,549</u>	<u>-</u>	<u>2,867,467</u>

\$ 1,957,523   \$ 294,260   \$ 11,945,902

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# NORTH KENT SEWER AUTHORITY

## **RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION**

**DECEMBER 31, 2017**

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<b>Fund balances - total governmental funds</b>	\$ 2,867,467
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	51,681,593
Certain assets reported on the statement of net position are not receivable in the current period and therefore are not reported in the funds.	
Add - accrued interest receivable from participants	303,770
Add - accrued compensated absences receivable from participants	72,811
Add - deferred revenue on long-term receivable due from participants	8,907,523
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds payable	(47,122,061)
Deduct - unamortized bond premium	(4,388,911)
Deduct - compensated absences	(72,811)
Deduct - accrued interest on bonds	<u>(303,770)</u>
<b>Net position of governmental activities</b>	<u>\$ 11,945,611</u>

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

# NORTH KENT SEWER AUTHORITY

## ***GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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	Special Revenue		Debt Service	
			Wastewater Treatment Plant	SRF Bonds
	<u>General</u>	<u>Sewer Collection</u>		
<b>Revenues</b>				
Intergovernmental revenue				
Participant fees	\$ 1,879,290	\$ 826,466	\$ 1,324,348	\$ 594,805
Connection fees	-	-	1,184,659	-
Grants	53,683	-	-	-
Interest	199	-	189	-
Miscellaneous revenue	2,400	-	-	-
<b>Total revenues</b>	<b>1,935,572</b>	<b>826,466</b>	<b>2,509,196</b>	<b>594,805</b>
<b>Expenditures</b>				
Current				
Public works	1,924,410	827,708	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	1,155,000	405,000
Interest	-	-	1,366,698	189,805
<b>Total expenditures</b>	<b>1,924,410</b>	<b>827,708</b>	<b>2,521,698</b>	<b>594,805</b>
Revenues over (under) expenditures	11,162	(1,242)	(12,502)	-
Other financing sources (uses)				
Bond issue	-	-	-	-
Payment to escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(35,584)	(11,219)	-	-
<b>Total other financing sources (uses)</b>	<b>(35,584)</b>	<b>(11,219)</b>	<b>-</b>	<b>-</b>
Net changes in fund balances	(24,422)	(12,461)	(12,502)	-
<b>Fund balances, beginning of year</b>	<b>700,031</b>	<b>24,525</b>	<b>226,224</b>	<b>-</b>
<b>Fund balances, end of year</b>	<b>\$ 675,609</b>	<b>\$ 12,064</b>	<b>\$ 213,722</b>	<b>\$ -</b>

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

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<b><u>Capital Projects</u></b>			
<b><u>Improvement Capital Projects</u></b>	<b><u>Nonmajor Governmental Funds</u></b>		<b><u>Total</u></b>
\$ 918,873	\$ 1,137,981	\$ 6,681,763	
-	-	1,184,659	
-	-	53,683	
1,815	-	2,203	
-	-	2,400	
<u>920,688</u>	<u>1,137,981</u>	<u>7,924,708</u>	
-	47,691	2,799,809	
1,059,224	-	1,059,224	
-	975,000	2,535,000	
-	<u>161,770</u>	<u>1,718,273</u>	
<u>1,059,224</u>	<u>1,184,461</u>	<u>8,112,306</u>	
(138,536)	(46,480)	(187,598)	
-	3,955,000	3,955,000	
-	(3,901,464)	(3,901,464)	
46,803	-	46,803	
-	-	(46,803)	
46,803	<u>53,536</u>	<u>53,536</u>	
(91,733)	7,056	(134,062)	
2,049,256	<u>1,493</u>	<u>3,001,529</u>	
\$ 1,957,523	\$ 8,549	\$ 2,867,467	

# NORTH KENT SEWER AUTHORITY

## **RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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<b>Net changes in fund balances - total governmental funds</b>	\$ (134,062)
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,096,383
Deduct - depreciation expense	(1,448,166)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets.

Deduct - bond issue	(3,955,000)
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Repayment of bond principal is an expenditure in the governmental funds but repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds	2,535,000
Add - principal payments on refunded bonds	3,825,000

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported in the funds.

Deduct - decrease in interest receivable from participants	(23,481)
Deduct - decrease in compensated absences receivable from participants	(5,545)
Deduct - payments from participants on long-term receivables	(708,703)
Add - decrease in accrued interest payable	23,481
Add - decrease in compensated absences	5,545
Add - amortization of bond premium	<u>479,928</u>

<b>Change in net position of governmental activities</b>	<u>\$ 1,690,380</u>
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The accompanying notes are an integral part of these financial statements.

# **NORTH KENT SEWER AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the North Kent Sewer Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

**Reporting Entity** The North Kent Sewer Authority, which is established pursuant to Michigan Act 233, is a joint venture governed by a five member Board of Trustees appointed by the legislative bodies of five participating municipalities. The Authority was established to construct and maintain sewer system infrastructure utilized by participating municipalities. Participating municipalities include:

City of Rockford  
Alpine Township  
Cannon Township  
Courtland Township  
Plainfield Charter Township

Participating municipalities fund operating and debt service costs based on their common and exclusive sewer system usage. The criteria established by the Governmental Accounting Standards Board for determining the reporting entity includes a significant operational financial relationship with another entity. Based on the above criteria, these financial statements present all funds of the North Kent Sewer Authority.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the governmental activities of the special purpose government (the Authority). For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* of the Authority are supported primarily by intergovernmental revenues from the participants. The Authority has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. The Authority utilizes no proprietary or fiduciary funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major governmental funds are reported as separate columns in the fund financial statements.

The Authority reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**NORTH KENT SEWER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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The *Sewer Collection Special Revenue Fund* is used to account for maintenance performed on participant specific and share collection systems.

The *Debt Service Funds* for the Wastewater Treatment Plant and SRF bonds account for the receipt of participants payments and the payment of principal and interest on those debt issues which finance infrastructure reconstruction, expansion and/or improvement projects.

The *Improvement Capital Projects Fund* accounts for the accumulation of participant fees for future capital projects.

Additionally, the Authority reports the following fund type:

The *Debt Service Funds* are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

***Measurement Focus and Basis of Accounting***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Joint venture participant fees and connection fees are recognized as revenues in the year for which they are assessed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for joint venture participant assessments, connection fees and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt and compensated absences which are recognized when due.

All Governmental Funds are accounted for on a spending or “flow of current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current financial resources. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

**NORTH KENT SEWER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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***Budgets and Budgetary Accounting***

The Authority's procedures for establishing budgetary data are as follows:

- The Treasurer submits a proposed budget for the upcoming year to the Authority's Board.
- The budget is reviewed by the Authority's Board and a public hearing is held. Prior to the beginning of the year, the budget is adopted by the Authority's Board.
- The budget for the general and special revenue funds are adopted following the modified accrual basis of accounting (a basis consistent with generally accepted accounting principles).
- Budget amounts shown in the financial statements consist of those amounts contained in the original and amended budget.
- The Authority adopts a budget for the general fund and special revenue fund at the department level of detail by means of an appropriations act. Budgets were not amended during the year.

***Cash and Investments***

Cash consists of the balance in checking accounts while investments are money market account and other balances with Michigan financial institutions. Michigan law and Authority policy authorizes the Authority to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended.

***Due From Other Governments***

Balances due from other governments include balances due from joint venture participants or the State of Michigan. These balances are reported net of estimated uncollectible balances (estimated uncollectible balances were zero at year-end).

**NORTH KENT SEWER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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***Due to and Due from Other Funds***

Interfund receivables and payables are short term borrowings that arise from interfund transactions which are recorded by all funds affected in the period in which transactions are executed.

***Prepaid Items***

The Authority incurred costs prior to year-end for services that will be performed in the next fiscal year. In these situations, the Authority records an asset to reflect the investment in future services.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: contracts receivable from participants. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

***Capital Assets***

Capital assets, which include land, property, equipment and infrastructure are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets, is computed using the straight-line method over the following estimated useful lives:

	<b><u>Years</u></b>
System & Plant Infrastructure	10-50
Sewer Infrastructure	5
Vehicles	3-10

**NORTH KENT SEWER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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***Long-Term Obligations***

In the government-wide financial statements the long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs are reported as public works expenditures/expenses.

***Compensated Absences***

Authority policy provides employees with a vested right to receive payments for unused vacation and sick time benefits under formulas and conditions specified in the personnel policy. Accumulated vacation and sick time of governmental funds is recorded on the statement of net position and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Compensated absences reported for governmental activities are primarily liquidated from general fund resources.

***Fund Equity/Net position***

Governmental funds report fund balance in the following five categories:

1. Non-spendable - the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted - the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed - the related assets can only be spent for a specific purpose identified by formal action of the governing board.
4. Assigned - the related assets can only be spent for a specific purpose identified by management as authorized by the governing board.
5. Unassigned - is the residual classification and includes all spendable amounts not contained in the other classifications.

Fund Balance can only be committed and assigned by resolution of the Board.

***Net Position and Fund Balance Flow Assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to use restricted resources first, then unrestricted resource as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**NORTH KENT SEWER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**2. CASH AND INVESTMENTS**

The captions on the financial statements relating to cash and investments are as follows:

<b><u>Governmental Activities</u></b>	
Cash Investments	\$2,399,637
	<hr/>
<b>Cash and investments</b>	<b>\$2,399,637</b>

These deposits and investments, which consist of demand deposits and money market accounts, are in financial institutions located in Michigan. All accounts are in the name of the Authority and a specific fund or common account. They are recorded in Authority records at fair value.

***Investment and deposit risk***

***Custodial Credit Risk - Deposits.*** Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. As of year-end, \$2,179,677 of the Authority's bank balance of \$2,429,677 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**3. CAPITAL ASSETS**

Capital asset activity for the year was as follows:

	<b>Balance January 1, <u>2017</u></b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, <u>2017</u></b>
<b>Governmental Activities</b>				
<b>Capital assets, not being depreciated</b>				
Land and right-of-way	\$ 874,265	\$ -	\$ -	\$ 874,265
Construction in progress	-	-	-	-
<b>Total capital assets, not being depreciated</b>	<b>874,265</b>	<b>-</b>	<b>-</b>	<b>874,265</b>
<b>Capital assets, being depreciated</b>				
System and plant infrastructure	61,415,038	1,038,450	1,398,226	61,055,262
Sewer infrastructure	32,778	-	-	32,778
Vehicles	1,096,556	57,933	-	1,154,489
<b>Total capital assets being depreciated</b>	<b>62,544,372</b>	<b>1,096,383</b>	<b>1,398,226</b>	<b>62,242,529</b>
Less accumulated depreciation for:				
System and plant infrastructure	11,054,793	1,336,548	1,398,226	10,993,115
Sewer infrastructure	10,820	5,490	-	16,310
Vehicles	319,648	106,128	-	425,776
<b>Total accumulated depreciation</b>	<b>11,385,261</b>	<b>1,448,166</b>	<b>1,398,226</b>	<b>11,435,201</b>
<b>Net capital assets, being depreciated</b>	<b>51,159,111</b>	<b>(351,783)</b>	<b>-</b>	<b>50,807,328</b>
<b>Governmental Activities capital assets, net</b>	<b>\$ 52,033,376</b>	<b>\$(351,783)</b>	<b>\$ -</b>	<b>\$ 51,681,593</b>

Depreciation expense of \$1,448,166 was charged to the public works function.

**NORTH KENT SEWER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

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**4. LONG-TERM DEBT**

The following is a summary of long-term debt activity and balances of the Authority for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
1998 Sewer Bonds due in annual installments from \$120,000 to \$365,000 through May 2018; interest at 3.0% to 7.0%.	\$ 710,000	\$ -	\$ 345,000	\$ 365,000	\$ 365,000
2017 Refunding Bonds due in annual installments from \$155,000 to \$495,000 beginning in 2018 through May 2027; interest at 2.01%.	- -	3,955,000	-	3,955,000	425,000
2007 Refunding Bonds due in annual installments from \$25,000 to \$505,000 through May 2027, interest at 4.0% to 4.25%	4,175,000	- -	4,175,000	-	-
2011 Sewer Bonds due in annual installments from \$275,000 to \$435,000 through May 2032, interest at 2.5%	4,963,896	- -	255,000	4,708,896	265,000
2012 Refunding Bonds due in annual installments from \$240,000 to \$360,000 through November 2026, interest at 2.0% to 3.05%	3,150,000	- -	280,000	2,870,000	285,000
\$975,000 2012 Sewer Bonds due in annual installments from \$40,000 to \$60,000 through October 2032, interest at 2.5%	768,234	- -	40,000	728,234	40,000
\$625,000 2012 Sewer Bonds due in annual installments from \$25,000 to \$40,000 through October 2032, interest at 2.5%	440,659	- -	25,000	415,659	25,000

# NORTH KENT SEWER AUTHORITY

## ***NOTES TO THE FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
\$2,130,000 2013 Sewer Bonds due in annual installments from \$80,000 to \$114,273 through October 2034, interest at 2.0%	\$ 1,774,272	\$	- \$ 85,000	\$ 1,689,272	\$ 85,000
\$4,700,000 2015 Refunding Bonds due in annual installments from \$880,000 to \$3,565,000 through November 2030, interest at 0.9% to 3.9%	4,425,000	-	275,000	4,150,000	280,000
\$29,120,000 2016 Refunding Bonds due in annual installments from \$275,000 to \$3,565,000 through November 2031, interest at 2.0% to 5.0%	29,120,000	-	880,000	28,240,000	890,000
Total debt	49,527,061	3,955,000	6,360,000	47,122,061	2,660,000
Accrued employee benefits	78,356	72,811	78,356	72,811	72,811
<b>Total Governmental Activities</b>	<b>\$49,605,417</b>	<b>\$4,027,811</b>	<b>\$6,438,356</b>	<b>\$47,194,872</b>	<b>\$2,732,811</b>

During fiscal 2017, the Authority issued \$3,955,000 of refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for debt service. The refunded bonds were called and refunded during 2017. This advanced refunding was undertaken to reduce total debt service payments by \$353,098, which resulted in an economic gain of \$322,749.

Following is a summary of future principal maturities and interest requirements:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 2,660,000	\$ 1,689,420
2019	2,700,000	1,629,272
2020	2,795,000	1,545,873
2021	2,875,000	1,458,747
2022	2,965,000	1,367,984
2023-2027	16,570,000	5,179,764
2028-2032	16,332,788	1,867,571
2033-2034	224,273	6,771
<b>Total</b>	<b>\$47,122,061</b>	<b>\$14,745,402</b>

# **NORTH KENT SEWER AUTHORITY**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

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### **5. RELATED PARTY TRANSACTIONS**

Fund statement participant and connection fees and fiscal year-end receivables attributable to related parties are as follows:

	<u>Intergovernmental Revenue</u>	<u>Due From Other Governments</u>
Alpine Township	\$1,552,466	\$ 2,935,154
Cannon Township	819,714	1,643,650
Courtland Township	176,286	6,927
Plainfield Charter Township	4,359,468	4,653,610
City of Rockford	958,479	60,728
Unbilled and unallocated	-	116,425
<b>Total</b>	<b>\$7,866,422</b>	<b>\$9,416,494</b>

### **6. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, destruction of assets, errors and omissions, injuries to employees, medical benefits provided to employees, and natural disasters for which it obtains coverage from commercial insurance companies. The Authority has had no settled claims resulting from these risks that exceeded commercial coverage in any of the past three years.

### **7. PENSION PLANS**

#### **Defined Contribution Pension Plan**

North Kent Sewer Authority's Employee Retirement System is a defined contribution plan (the Plan), which provides pension benefits to substantially all employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate immediately upon employment. The Authority contributes 7% of each participant's base salary to the Plan. Employees are required to contribute at least 3% of their base salary. The Authority's contributions for this employee group vest based on year of service with 100% vesting occurring after 6 years of service. The Plan provisions and contribution amounts were established by the Authority Board and may be amended by the Authority Board. The Plan is administered by the Michigan Municipal Employees Retirement System (MERS).

The Authority and Authority employees made contributions to the Plan of \$39,290 and \$16,838, respectively, during 2017.

### **8. COMMITMENT**

At December 31, 2017, the Authority had an outstanding commitment related to purchasing membrane replacements. The total cost remaining on the contract was approximately \$1,700,000.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

# NORTH KENT SEWER AUTHORITY

## ***GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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	<b>Budget Amounts</b>		<b>Actual Amount</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenue				
Participant fees	\$ 2,856,130	\$ 2,888,130	\$ 1,879,290	\$ (1,008,840)
Grant	205,020	205,020	53,683	(151,337)
Interest	200	200	199	(1)
Miscellaneous revenue	-	-	2,400	2,400
<b>Total revenues</b>	<b>3,061,350</b>	<b>3,093,350</b>	<b>1,935,572</b>	<b>(1,160,178)</b>
<b>Expenditures</b>				
Current				
Public works	<u>3,061,350</u>	<u>3,093,350</u>	<u>1,924,410</u>	<u>1,168,940</u>
Revenues over (under) expenditures	-	-	11,162	8,762
Other financing sources				
Transfers out	<u>-</u>	<u>(36,000)</u>	<u>(35,584)</u>	<u>416</u>
Net changes in fund balance	-	(36,000)	(24,422)	9,178
<b>Fund balance, beginning of year</b>	<b>700,031</b>	<b>700,031</b>	<b>700,031</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 700,031</b>	<b>\$ 664,031</b>	<b>\$ 675,609</b>	<b>\$ 9,178</b>

# NORTH KENT SEWER AUTHORITY

## ***SEWER COLLECTION FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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	<b>Budget Amounts</b>		<b>Actual Amount</b>	<b>Variance Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental revenue				
Participant fees	\$ 1,160,550	\$ 1,160,550	\$ 826,466	\$ (334,084)
<b>Expenditures</b>				
Current				
Public works	<u>1,160,550</u>	<u>1,149,050</u>	<u>827,708</u>	<u>321,342</u>
Revenues over (under) expenditures	-	11,500	(1,242)	(12,742)
Other financing sources				
Transfers out	<u>-</u>	<u>(11,500)</u>	<u>(11,219)</u>	<u>281</u>
Net changes in fund balance	-	-	(12,461)	(12,461)
<b>Fund balance, beginning of year</b>	<u>24,525</u>	<u>24,525</u>	<u>24,525</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 24,525</u>	<u>\$ 24,525</u>	<u>\$ 12,064</u>	<u>\$ (12,461)</u>

## **COMBINING FUND FINANCIAL STATEMENTS**

# NORTH KENT SEWER AUTHORITY

## ***NONMAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET***

***DECEMBER 31, 2017***

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	Debt Service					
	1998		2001/2012			
	Bonds	Bonds	Bonds	Total		
<b>Assets</b>						
Cash	\$ 110	\$ 1,500	\$ 6,939	\$ 8,549		
Due from other governments	<u>285,711</u>	-	-	<u>285,711</u>		
<b>Total assets</b>	<u>\$ 285,821</u>	<u>\$ 1,500</u>	<u>\$ 6,939</u>	<u>\$ 294,260</u>		
 <b>Liabilities, deferred inflows and fund balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ -		
 <b>Deferred inflows of resources</b>						
Unavailable revenue - contracts	<u>285,711</u>	-	-	-	<u>285,711</u>	
 <b>Fund balances</b>						
Restricted for:						
Debt service	<u>110</u>	<u>1,500</u>	<u>6,939</u>	<u>8,549</u>		
 <b>Total liabilities, deferred inflows and fund balances</b>	<u>\$ 285,821</u>	<u>\$ 1,500</u>	<u>\$ 6,939</u>	<u>\$ 294,260</u>		

# NORTH KENT SEWER AUTHORITY

## ***NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES***

***FOR THE YEAR ENDED DECEMBER 31, 2017***

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	<b>Debt Service</b>				
	<b>1998 <u>Bonds</u></b>	<b>2001/2012 <u>Bonds</u></b>	<b>2007 <u>Refunding Bonds</u></b>	<b>Total</b>	
<b>Revenues</b>					
Intergovernmental revenue					
Participant fees	\$ 361,875	\$ 369,779	\$ 406,327	\$ 1,137,981	
<b>Expenditures</b>					
Current					
Public works	-	-	47,691	47,691	
Debt service					
Principal	345,000	280,000	350,000	975,000	
Interest	16,915	89,279	55,576	161,770	
<b>Total expenditures</b>	<u>361,915</u>	<u>369,279</u>	<u>453,267</u>	<u>1,184,461</u>	
Revenues over (under) expenditures	(40)	500	(46,940)	(46,480)	
Other financing sources (uses)					
Bond issue	-	-	3,955,000	3,955,000	
Payment to escrow agent	-	-	(3,901,464)	(3,901,464)	
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>53,536</u>	<u>53,536</u>	
Net changes in fund balances	(40)	500	6,596	7,056	
<b>Fund balances, beginning of year</b>	<u>150</u>	<u>1,000</u>	<u>343</u>	<u>1,493</u>	
<b>Fund balances, end of year</b>	<u>\$ 110</u>	<u>\$ 1,500</u>	<u>\$ 6,939</u>	<u>\$ 8,549</u>	