

**Genesee County Drain Commissioner
Division of Water and Waste Services
(a component unit of Genesee County)**

**Financial Report
with Supplemental Information
December 31, 2015**

Genesee County Drain Commissioner Division of Water and Waste Services

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Independent Auditor's Report

To the Board of Directors
Genesee County Drain Commissioner
Division of Water and Waste Services

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund, Internal Service Funds, business-type activities, and discretely presented component unit of Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County (the "Division"), as of and for the year ended December 31, 2015 and the related notes to the financial statements, which collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Board of Directors
Genesee County Drain Commissioner
Division of Water and Waste Services

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, Internal Service Funds, business-type activities, and discretely presented component unit of Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2015 and the respective changes in its financial position and, where applicable, cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, in 2015, the Division adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements measure the cost of pension benefits as the employment services are rendered, rather than as they are funded; any unfunded pension liability is reported as a liability. The beginning net position has been adjusted to reflect this liability. Our opinion has not been modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

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

To the Board of Directors
Genesee County Drain Commissioner
Division of Water and Waste Services

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

Report on Summarized Comparative Information

We have previously audited Genesee County Drain Commissioner Division of Water and Waste Services' December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

June 15, 2016

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

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

Primary Objectives

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

Responsibilities

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

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

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

- Preventive maintenance of the water and sewer infrastructure and appurtenances
- Staking of water and sewer infrastructure (Miss Dig)
- Jetting/Televising of sanitary sewers
- Inspection of water and sewer infrastructure
- Responds to customer complaints (i.e., plugged sewers, high bills, etc.)
- Installs, reads, and repairs water meters, repairs broken water mains, and coordinates the repair of sanitary sewers, sewer main taps, and cut and cap water and sewer services
- Provides after-hours emergency response as needed
- Provides training in the operation and maintenance of the water and sewer systems, along with safety and regulatory compliance
- Establishes and oversees capital improvement projects

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

- Facility operation and maintenance
- Analytical support to ensure compliance with discharge limits and industrial pretreatment
- Providing training in plant operation, maintenance, safety, and regulatory compliance
- Residuals management
- Addition of various treatment chemicals and/or use of other treatment alternatives
- Planning for plant improvements, equipment replacement, and upgrades
- Emergency response planning
- Storage lagoon operation and maintenance
- Adhering to discharge limitations via ongoing monitoring
- Pollutant minimization
- Operation of an Industrial Pretreatment Program (IPP)

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

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

- **Biosolids Disposal** - Each treatment plant is responsible for disposing wastewater treatment plant biosolids in a manner that is considered beneficial reuse, in particular, biosolids application on farmland. ARTP accomplished this goal in 2015 by applying 5,766 dry tons of stabilized biosolids on approximately 2,250 acres of approved fields. In 2015, District No. 3 applied 948 dry tons of stabilized biosolids on approximately 525 acres of approved fields.
- **Industrial Pretreatment Program** - The Division regulates and monitors industrial and nondomestic dischargers to the wastewater system. The Division reviews applications, issues discharge permits, verifies compliance, calculates fees and surcharge bills for the customers, as well as enforces regulations through discharge permits, which protect the wastewater treatment facilities and the environment. An arsenic program for drinking water systems was implemented to ensure compliance with MDEQ regulations. The ordinance also allows for best management practices (BMP) in regulating silver and mercury from over 450 physician and dental offices and grease and oil from approximately 1,200 restaurants. Inter-jurisdictional agreements and the sewer use ordinance have been distributed to the municipalities that discharge into the Division's systems, and the local unit of government approval process is ongoing. At this time, there are 14 significant industrial facilities, and four categorical users that pay surcharges for the cost of treating various substances they discharge to the Division.

Water Supply - The water supply department is responsible for acquisition of treated water from the Detroit Water and Sewerage Department (DWSD). The Division distributes potable water to local communities, which in turn supply their residential, commercial, and industrial customers. The Division also contracts with certain local municipalities to operate and maintain their water systems, as well as provide billing services.

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

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

During 2015, the Division continued to make significant progress on its plans to acquire a new water supply via its participation in the component unit Karegnondi Water Authority (KWA). The KWA will supply untreated water to both the Division and the city of Flint, and is expected to bring its water pipeline and pumping capacity online in 2016.

The Division also began construction on its new water treatment plant, which will treat the raw water to be supplied by the KWA. The new water treatment plant is expected to come online in late 2017, at which time the Division will discontinue its purchase and use of DWSD treated water. Funding for the new water treatment plant is coming from bond sale proceeds, with the first bond sale completed in April 2015. A subsequent bond sale for the treatment plant is expected to occur in either late 2016 or early 2017.

Rate Structure

During 2015, the Division received a water supply rate increase from DWSD, which the Division passed through to its community customers beginning in September 2015. The Division has been notified of another water supply rate increase from the Great Lakes Water Authority (GLWA, which is the successor agency to the DWSD), which will be passed on to the Division's community customers during 2016. Previously approved sewer rate increases for Districts 3 and 7 took effect in January 2014, while an ARTP sewer rate increase took effect in July 2014.

Karegnondi Water Authority

The Karegnondi Water Authority (KWA) is a discretely presented component unit of the Division. KWA is governed by a 15-member board and was created pursuant to Act 233, Michigan Public Acts of 1955. Its purpose is to acquire and operate a water pipeline that provides water to the Division and the city of Flint, which in turn will treat the water to be provided to their residents. KWA may also provide water to other local units in Lapeer and Sanilac counties. The Division has financial accountability for KWA. This is subject to change based upon redistribution of capacity units.

Using this Annual Report

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Condensed Financial Information

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

	December 31		Increase (Decrease)	Percent Change
	2015	2014 (as restated)		
Assets				
Current assets	\$ 36,418,358	\$ 26,529,962	\$ 9,888,396	37.3 %
Restricted assets	44,839,976	5,341,861	39,498,115	739.4
Noncurrent lease receivable and local unit construction in progress	43,306,090	42,774,265	531,825	1.2
Capital assets	<u>323,343,986</u>	<u>311,770,863</u>	<u>11,573,123</u>	3.7
Total assets	447,908,410	386,416,951	61,491,459	15.9
Deferred Outflows of Resources	3,106,373	1,481,825	1,624,548	109.6
Liabilities				
Current liabilities	20,019,718	16,287,413	3,732,305	22.9
Liabilities payable from restricted assets	3,402,534	4,718,438	(1,315,904)	(27.9)
Other noncurrent liabilities	23,774,329	22,718,044	1,056,285	4.6
Long-term debt	<u>213,095,902</u>	<u>161,901,026</u>	<u>51,194,876</u>	31.6
Total liabilities	<u>260,292,483</u>	<u>205,624,921</u>	<u>54,667,562</u>	26.6
Deferred Inflows of Resources	<u>1,368,998</u>	-	<u>1,368,998</u>	
Net Position				
Net investment in capital assets	184,728,296	185,257,025	(528,729)	(0.3)
Restricted	493,334	488,210	5,124	-
Unrestricted	<u>4,131,672</u>	<u>(3,471,380)</u>	<u>7,603,052</u>	(219.0)
Total net position	<u>\$ 189,353,302</u>	<u>\$ 182,273,855</u>	<u>\$ 7,079,447</u>	3.9
Year Ended December 31				
	2015	2014	Increase (Decrease)	Percent Change
Revenue from operations	\$ 64,158,121	\$ 60,090,633	\$ 4,067,488	6.8 %
Interest on operating cash and receivables	<u>5,077</u>	<u>14,437</u>	<u>(9,360)</u>	(64.8)
Total revenue	64,163,198	60,105,070	4,058,128	6.8
Sludge disposal charges	1,146,713	1,070,924	75,789	7.1
Cost of water	18,207,829	16,159,253	2,048,576	12.7
Operating and maintenance expense	23,472,884	22,973,404	499,480	2.2
Administrative and depreciation expense	<u>11,176,087</u>	<u>11,375,340</u>	<u>(199,253)</u>	(1.8)
Total operating expenses	54,003,513	51,578,921	2,424,592	4.7
Other nonoperating expense	<u>(3,080,238)</u>	<u>(3,165,055)</u>	<u>84,817</u>	(2.7)
Change in net position	<u>\$ 7,079,447</u>	<u>\$ 5,361,094</u>	<u>\$ 1,718,353</u>	32.1

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Major Capital Assets and Debt Activity

There were no construction project completions during 2015.

The Division continued to utilize remaining portions of \$35,000,000 in water system supply bonds sold in 2013 in connection with its involvement in KWA to construct the division-owned water intake portion of the new water supply system. It was also determined that this construction project and resulting asset would be treated as a capital lease between the Division and the KWA, and was recorded as such during 2014.

Use of restricted County Capital Improvement Fees (CCIF) to pay debt service and the reduction of restricted receivables from other governmental entities has been the past practice of the Division. Underfunding has occurred and was considered in the initial planning of the CCIF program. CCIF will continue to be collected after retirement of the bond to reconstitute the fund in full.

Financial Review

In analyzing Genesee County Drain Commissioner Division of Water and Waste Services' financial position, it is important to recognize the mission of the Division, which has been previously stated. A discussion of the significant financial activity during the current year is as follows:

Statement of Net Position

- Current assets increased almost \$10M to approximately \$36.4M.
- Restricted assets increased to nearly \$45M due to unspent proceeds of the 2015 Water Treatment Plant bond.
- Current liabilities increased by approximately \$3.8M to approximately \$20M.
- Combined unrestricted net position at year end was approximately \$4.1M.

Statement of Revenue, Expenses, and Changes in Net Assets

- Operating revenue increased by approximately \$4.1M (6.8 percent) in 2015, primarily due to the DWSD water pass through rate increase. Operating expenses increased by 4.7 percent, again primarily due to increases in the cost of water from DWSD.
- Utility costs decreased approximately 8 percent in 2015, in part due to limited wet weather events and recent energy saving investments which have been made.
- Repairs and maintenance expenditures increased by approximately \$600,000, while contractual services continued to decline in 2015, decreasing by an additional \$275,000.
- Depreciation was essentially flat year over the year.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

	Year Ended December 31	
	2014	2015
Total revenue from I&T customers	\$ 24,356,170	\$ 25,358,801
Total flow (thousands of gallons)	10,929,560	9,531,680
Revenue per thousands of gallons treated	\$ 2.23	\$ 2.66

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

	Year Ended December 31	
	2014	2015
Total revenue from water sales	\$ 27,239,220	\$ 30,135,814
Volume of water purchased (cu. ft.) by Division	552,806,338	518,878,600
Volume of water sold (cu. ft.) by Division	533,465,081	521,158,226
Water efficiency rate	97%	100%
Revenue per 100 cu. ft. of water sold	\$ 5.11	\$ 5.78

Contacting the Division's Management

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Position Proprietary Fund Types

	December 31, 2015			Component Unit - Karegnondi Water Authority - September 30, 2015
	Major Enterprise	Proprietary Internal Service Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 14,382,145	\$ 431,116	\$ 14,813,261	\$ 5,396,585
Accounts receivable	12,820,051	-	12,820,051	-
Current portion of leases receivable	2,530,000	-	2,530,000	-
Due from other governmental units	5,658,093	-	5,658,093	33,534
Accrued interest receivable	-	-	-	120,008
Prepaid expenses and other assets	596,953	-	596,953	53,500
Total current assets	35,987,242	431,116	36,418,358	5,603,627
Noncurrent assets:				
Restricted cash and cash equivalents (Notes 1 and 4)	44,839,976	-	44,839,976	108,590,629
Leases receivable - Net of current portion (Notes 1 and 11)	42,366,006	-	42,366,006	-
Local unit construction in progress	940,084	-	940,084	-
Capital assets (Note 5):				
Assets not subject to depreciation	24,464,853	-	24,464,853	181,395,807
Assets subject to depreciation	296,897,552	1,981,581	298,879,133	-
Total noncurrent assets	409,508,471	1,981,581	411,490,052	289,986,436
Total assets	445,495,713	2,412,697	447,908,410	295,590,063
Deferred Outflows of Resources				
Deferred charge on refunding	37,621	-	37,621	-
Deferred outflows related to pensions (Note 7)	3,068,752	-	3,068,752	-
Total deferred outflows of resources	3,106,373	-	3,106,373	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	8,328,762	1,967	8,330,729	10,031
Current portion of long-term debt (Note 6)	11,688,989	-	11,688,989	-
Total current liabilities	20,017,751	1,967	20,019,718	10,031
Noncurrent liabilities:				
Liabilities related to restricted assets	3,402,534	-	3,402,534	25,383,405
Unearned leases	901,741	-	901,741	-
Other postemployment benefit obligation (Note 8)	5,162,916	-	5,162,916	-
Net pension liability (Note 7)	17,709,672	-	17,709,672	-
Long-term debt - Net of current portion (Note 6)	213,095,902	-	213,095,902	266,527,841
Total noncurrent liabilities	240,272,765	-	240,272,765	291,911,246
Total liabilities	260,290,516	1,967	260,292,483	291,921,277
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 7)				
	1,368,998	-	1,368,998	-
Equity - Net position				
Net investment in capital assets	182,455,249	1,981,581	184,436,830	1,557,297
Restricted	493,334	-	493,334	-
Unrestricted	3,993,989	429,149	4,423,138	2,111,489
Total net position	<u>\$ 186,942,572</u>	<u>\$ 2,410,730</u>	<u>\$ 189,353,302</u>	<u>\$ 3,668,786</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Fund Types

	Year Ended December 31, 2015			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2015
	Enterprise	Internal	Total	
	Fund	Service Fund		
Operating Revenue				
Charges for sales and service:				
Sale of water	\$ 30,135,814	\$ -	\$ 30,135,814	\$ -
Sewage disposal charges	30,870,534	-	30,870,534	-
Billing services	141,021	-	141,021	-
Water meter sales	90,672	-	90,672	-
Sewer and pumping station - Operation and maintenance	1,212,433	-	1,212,433	-
Other operating revenue	1,707,647	-	1,707,647	-
Total operating revenue	64,158,121	-	64,158,121	-
Operating Expenses				
Cost of water	18,207,829	-	18,207,829	-
Sludge disposal service	1,146,713	-	1,146,713	-
Cost of insurance claims and expenses	369,289	-	369,289	-
Repairs and maintenance	2,562,603	-	2,562,603	-
Personnel services	15,436,545	-	15,436,545	-
Other supplies and expenses	1,944,191	52,832	1,997,023	4,792
Contractual services	1,933,304	-	1,933,304	136,192
Utilities	3,476,713	-	3,476,713	-
Depreciation	8,435,812	437,682	8,873,494	-
Total operating expenses	53,512,999	490,514	54,003,513	140,984
Operating Income (Loss)	10,645,122	(490,514)	10,154,608	(140,984)
Nonoperating Revenue (Expenses)				
Community bond interest income	2,126,613	-	2,126,613	-
Community bond interest expense	(2,126,613)	-	(2,126,613)	-
Miscellaneous income	1,179,810	-	1,179,810	-
Water supply operating subsidy	-	-	-	1,938,000
Interest expense	(4,260,048)	-	(4,260,048)	-
Investment income	5,077	-	5,077	4,813
Total nonoperating (expense) revenue	(3,075,161)	-	(3,075,161)	1,942,813
Income (Loss)	7,569,961	(490,514)	7,079,447	1,801,829
Transfers In	-	116,983	116,983	-
Transfers Out	(116,983)	-	(116,983)	-
Increase (Decrease) in Net Position	7,452,978	(373,531)	7,079,447	1,801,829
Net Position - Beginning of year - As restated (Note 2)	179,489,594	2,784,261	182,273,855	1,866,957
Net Position - End of year	\$ 186,942,572	\$ 2,410,730	\$ 189,353,302	\$ 3,668,786

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types

	Year Ended December 31, 2015			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2015
	Enterprise Fund	Internal Service Fund	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 62,995,742	\$ -	\$ 62,995,742	\$ -
Payments to suppliers and others for goods and services	(29,116,726)	(55,340)	(29,172,066)	(133,761)
Payments for salaries and employee benefits	(14,843,953)	-	(14,843,953)	-
Other payments	-	-	-	(33,534)
Net cash provided by (used in) operating activities	19,035,063	(55,340)	18,979,723	(167,295)
Cash Flows from Noncapital Financing Activities - Water supply contract operating subsidy	-	-	-	1,938,000
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(22,209,924)	(146,216)	(22,356,140)	(57,174,780)
Collection of interest from communities and C.U. (KWA)	440,643	-	440,643	-
Community and C.U. (KWA) interest expense	(1,731,806)	-	(1,731,806)	-
Collections of leases receivable from municipalities	2,400,000	-	2,400,000	-
Proceeds from issuance of bonded debt	60,000,000	-	60,000,000	-
Principal paid on bond maturities	(11,495,000)	-	(11,495,000)	-
Interest paid on bonds and other long-term liabilities	(3,334,899)	-	(3,334,899)	(11,591,131)
Miscellaneous revenue	1,216,425	-	1,216,425	-
Return of investment in capital assets	85,789	-	85,789	-
Premium proceeds on bonded debt and bond issuance costs	1,967,580	-	1,967,580	-
Operating transfers	(116,983)	116,983	-	-
Net cash provided (used in) by capital and related financing activities	27,221,825	(29,233)	27,192,592	(68,765,911)
Cash Flows from Investing Activities				
Investment income	5,076	-	5,076	433,098
Proceeds from sale and maturities of investment securities	-	-	-	61,024,650
Net cash provided by investing activities	5,076	-	5,076	61,457,748
Net Increase (Decrease) in Cash and Cash Equivalents	46,261,964	(84,573)	46,177,391	(5,537,458)
Cash and Cash Equivalents - Beginning of year	12,960,157	515,689	13,475,846	16,996,117
Cash and Cash Equivalents - End of year	\$ 59,222,121	\$ 431,116	\$ 59,653,237	\$ 11,458,659
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 14,382,145	\$ 431,116	\$ 14,813,261	\$ 5,396,585
Restricted cash and cash equivalents	44,839,976	-	44,839,976	108,590,629
Less amounts classified as investments	-	-	-	(102,528,555)
Total cash and cash equivalents	\$ 59,222,121	\$ 431,116	\$ 59,653,237	\$ 11,458,659

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types (Continued)

	Year Ended December 31, 2015			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2015
	Enterprise Fund	Internal Service Fund	Total	
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income (loss)	\$ 10,645,122	\$ (490,514)	\$ 10,154,608	\$ (140,984)
Depreciation	8,435,812	437,682	8,873,494	-
Changes in assets and liabilities:				
Receivables	(1,162,379)	-	(1,162,379)	(33,534)
Inventories	35,715	-	35,715	-
Prepaid and other assets	(108,614)	-	(108,614)	-
Accounts payable	596,815	(2,508)	594,307	7,223
Accrued and other liabilities	703,687	-	703,687	-
OPEB liability	(29,627)	-	(29,627)	-
Net pension liability	(81,468)	-	(81,468)	-
Net cash provided by (used in) operating activities	\$ 19,035,063	\$ (55,340)	\$ 18,979,723	\$ (167,295)

Noncash Activity

During the year ended September 30, 2015, the Karegnondi Water Authority recorded \$4,625,646 of capital assets related to a capital lease. During the year ended September 30, 2015, the Karegnondi Water Authority also recorded \$33,960,593 of capital assets related to the drawdown of deposits with a pipe supplier.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County (the "Division"), conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Genesee County Drain Commissioner Division of Water and Waste Services:

Reporting Entity

Genesee County Drain Commissioner Division of Water and Waste Services (the "Division"), a discretely presented component unit of Genesee County, was organized in September 1965 under Public Act No. 342 of 1939 of the State of Michigan (amended in 1967). The Division's major operations are the construction and operation of water and waste systems in Genesee County, Michigan (the "County") and certain areas in surrounding counties. Construction is financed with proceeds from the sale of bonds and federal and state grants. The operating activities are financed primarily through user charges to municipalities in the systems.

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

Included within the reporting entity are the following:

1. Genesee County Sewage Disposal Systems Nos. 1, 2, 5, and 6 (interceptors and treatment facilities)
2. Genesee County Sanitary Sewage Disposal Systems Nos. 3 and 7
3. Genesee County water supply systems
4. Genesee County Division of Water and Waste Services - Vehicle and Equipment Fund (Internal Service Fund)
5. Karegnondi Water Authority - Component unit (Water Fund)

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Karegnondi Water Authority - The Karegnondi Water Authority (KWA) is a discretely presented component unit of the Division. KWA is governed by a 15-member board and was created pursuant to Act 233, Michigan Public Acts of 1955. Its purpose is to acquire and operate a water pipeline that provides water to the Division and the city of Flint, which in turn will treat the water to be provided to their residents. KWA may also provide water to other local units in Lapeer and Sanilac counties. The Division has financial accountability for KWA. This is subject to change based upon redistribution of capacity units. KWA reports as of September 30, and the complete financial reports can be obtained at their administrative offices at 4610 Beecher Road, Flint, MI. The Division also reports KWA activity as of September 30.

The more significant of the Division's accounting policies are described below:

Accounting and Reporting Principles

The Division follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Government Accounting Standards Board.

Report Presentation

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Fund Accounting

The basic financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Division reports the following major proprietary fund:

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

Additionally, the Division reports the following Internal Service Fund:

The Internal Service Fund accounts for financing of goods and services provided by one department to other departments of the Division on a cost-plus basis.

As a general rule, the effect of interfund activity has been eliminated from the basic financial statements. Exceptions to this general rule are charges between the Division's water and sewer function and various other functions of the Division. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Basis of Accounting

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Division's proprietary fund relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash, Cash Equivalents, and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value, based on quoted market prices.

Short-term Financial Instruments - The fair value of short-term financial instruments, including cash and cash equivalents, trade accounts receivable and payable, accrued receivables, and accrued liabilities, is equal to the carrying amounts in the accompanying basic financial statements due to the short maturity of such instruments.

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

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

Restricted Assets - Certain assets are restricted by the Division's bond ordinances for capital outlay. In addition, unspent bond proceeds and county capital improvement fees are restricted for the construction of water collection and sewage disposal systems projects. When an expense is incurred that allows the use of restricted assets (such as bond debt principal and interest), those assets are applied before utilizing any unrestricted assets.

Leases Receivable - Leases receivable consist of amounts due to the Division from various municipalities and the component unit, Karegnondi Water Authority, for construction activity. The Division constructs assets for various municipalities under Act 342. Under this act, the County issues bonds and constructs assets on behalf of municipalities. These assets are then leased by the municipalities over the life of the bonds. Lease payments approximate the debt service requirements of the associated bonds.

Local Unit Construction in Progress - Local unit construction in progress represents construction of water and sewer distribution and collection systems performed by the Division for local communities. The projects are recorded as an asset during the construction phase and are offset by an unearned lease. When the projects are substantially complete, the asset and unearned lease are removed from the basic financial statements and an asset is recorded by the local community.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Additions to property, plant, and equipment are recorded at cost or, if donated, at their estimated fair value at the time of donation. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense for Division for the year was \$7,784,047, of which \$1,513,572 (interest expense net of interest income and premium amortization) was capitalized. Total interest expense for KWA for the year was \$13,493,055, of which \$12,896,908 (interest expense net of interest income) was capitalized.

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

Capital Asset Class	Lives
Land improvements and underground networks	25-100 years
Buildings	10-50 years
Machinery and equipment	3-25 years

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred.

Liabilities Payable from Restricted Assets - The Division uses the restricted assets to liquidate construction-related payables and therefore, these amounts due have been reported as a noncurrent liability.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Division has two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the statement of net position and deferred outflows related to pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred inflow related to pension results from differences between projected and actual experience; differences between projected and actual investment earnings; and employer contributions after the measurement period in the current fiscal year. This is deferred and amortized as summarized in Note 7.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Division has deferred inflows related to pensions that result from changes in assumptions related to economic and demographic factors.

Net Position Flow Assumption

Sometimes the Division 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 and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Division's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 1 - Summary of Significant Accounting Policies (Continued)

Pension - The Division offers a defined benefit pension plan to its employees. The Division records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the GCERS Pension Plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Division will fund the net pension liability based on whichever fund an employee or retiree is assigned and to which the employee's pension costs are charged.

Other Postemployment Benefit Costs - The Division offers retiree healthcare benefits to retirees. The Division is responsible for 100 percent of the cost of postemployment benefits and advance funds. In 2015, the total number of eligible retirees amounted to 92 and postemployment benefits for retired employees totaled \$1,508,853.

Compensated Absences (Vacation and Sick Leave) - The Division's employees are granted vacation leave twice a year based on length of service. 80 hours of personal leave is granted at the beginning of each year. Upon retirement or separation, employees are paid accumulated vacation at current salary rates. Upon retirement or separation for nonunion employees, up to 112 hours of personal leave is also paid at current salary rates. Union employees are paid up to 112 hours of personal leave upon retirement only. At December 31, 2015, the Division has recorded a liability of approximately \$430,000 for accumulated vacation and personal leave.

Unearned Leases - Unearned leases represent cash and investments and construction in progress recorded on the Division's books belonging to the municipalities participating in the water collection and sewage disposal system.

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

Comparative Data - Comparative total data for the prior year has been presented in the financial statements in order to provide an understanding of the changes in the financial position and operations.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 2 - Change in Accounting

During the current year, the Division adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, the government-wide statements now include a liability for unfunded legacy costs. Some of the changes in this net pension liability will be recognized immediately as part of the pension expense measurement, and part will be deferred and recognized over future years. Refer to the pension note for further details.

	Enterprise Fund
Net position - December 31, 2014 - As previously reported	\$ 195,580,980
Adjustment to record beginning net pension liability	<u>(16,091,386)</u>
Net position - December 31, 2014 - As restated	<u>\$ 179,489,594</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Division's deposits may not be returned to it. The Division does not have a deposit policy for custodial credit risk. At year end, the Division had \$21,510,502 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Division believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Division evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

KWA had no bank deposits subject to custodial credit risk (uninsured and uncollateralized). There was \$70,101,994 of investment securities (held in repurchase agreements) that were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in KWA's name.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Division's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The Division currently holds no commercial paper at the end of December 31, 2015.

At year end, the Division itself had no investments, but KWA had the following investment:

Investment	Fair Value	Weighted Average Maturity (Years)
Component Unit (KWA)		
Repurchase Agreement	\$ 70,101,994	0.71

Concentration of Credit Risk - The Division places no limit on the amount it may invest in any one issuer. More than 68 percent of KWA's total investments are in a repurchase agreement with Duetche Bank.

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

**Notes to Financial Statements
December 31, 2015**

Note 4 - Restricted Assets

The restricted assets are restricted for the following purposes:

	<u>Enterprise Fund</u>	<u>Component Unit - KWA</u>
Unspent bond proceeds and related interest	\$ 44,209,713	\$ 75,364,068
County deposits	100,000	800,000
General obligation bond restrictions:		
Debt reserve	-	15,735,330
Debt retirement	<u>530,263</u>	<u>16,691,231</u>
Total restricted assets	<u>\$ 44,839,976</u>	<u>\$ 108,590,629</u>

Total restricted cash in the Water Supply System Fund of \$44,209,713 related to unspent bond proceeds. Restricted cash of \$530,263 in District No. 3 related to restriction by bond ordinance. The liabilities payable from restricted assets include construction accounts payable in the amount of \$3,365,605, which will be paid from the unspent bond proceeds, and accrued interest payable of \$36,929, which will be paid from the restricted cash for bond ordinances.

KWA's bond indenture required amounts to be set aside in a construction account and a debt service reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of KWA water lines.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2015

Note 5 - Capital Assets

Capital asset activity of the Division's proprietary funds at December 31, 2015 was as follows:

	Balance January 1, 2015	Additions	Disposals	Balance December 31, 2015
Enterprise Fund:				
Capital assets not being depreciated:				
Land	\$ 2,313,197	\$ -	\$ -	\$ 2,313,197
Construction in progress	2,110,379	20,380,441	(339,164)	22,151,656
Subtotal	4,423,576	20,380,441	(339,164)	24,464,853
Capital assets being depreciated:				
Distribution and collections system	366,642,152	-	-	366,642,152
Buildings and equipment	13,328,591	164,169	(21,178)	13,471,582
Vehicles	817,092	94,955	-	912,047
Subtotal	380,787,835	259,124	(21,178)	381,025,781
Accumulated depreciation:				
Distribution and collections system	(70,191,375)	(7,749,765)	-	(77,941,140)
Buildings and equipment	(4,962,091)	(610,948)	21,178	(5,551,861)
Vehicles	(560,129)	(75,099)	-	(635,228)
Subtotal	(75,713,595)	(8,435,812)	21,178	(84,128,229)
Net capital assets being depreciated	305,074,240	(8,176,688)	-	296,897,552
Net capital assets	<u>\$ 309,497,816</u>	<u>\$ 12,203,753</u>	<u>\$ (339,164)</u>	<u>\$ 321,362,405</u>
Internal Service Fund:				
Capital assets being depreciated - Buildings and equipment	\$ 8,737,922	\$ 146,216	\$ (38,268)	\$ 8,845,870
Accumulated depreciation - Buildings and improvements	(6,464,875)	(437,682)	38,268	(6,864,289)
Net capital assets	<u>\$ 2,273,047</u>	<u>\$ (291,466)</u>	<u>\$ -</u>	<u>\$ 1,981,581</u>
Total proprietary funds capital assets	<u>\$ 311,770,863</u>	<u>\$ 11,912,287</u>	<u>\$ (339,164)</u>	<u>\$ 323,343,986</u>
Balance December 31, 2015				
	Balance January 1, 2015	Additions	Disposals	Balance December 31, 2015
Component unit - KWA - Capital assets not being depreciated - Construction in progress	\$ 60,169,807	\$ 121,226,000	\$ -	\$ 181,395,807

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 5 - Capital Assets (Continued)

Construction Commitments - The Division has active construction projects at year end, which include improvements and extensions to the water and sewage disposal systems. The most significant project related to the water supply system construction. The Division spent \$47,636,756 to date and has \$76,381,539 remaining on the contract.

The component unit, KWA, had the water pipeline project in progress during the year. At year end, it spent \$112,501,017 and had \$132,588,701 remaining on the contract.

Note 6 - Long-term Debt

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

Long-term debt activity for the year ended December 31, 2015 can be summarized as follows:

	Number of Issues	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance *	Additions	Reductions	Ending Balance *	Due Within One Year
Genesee County Drain Commissioner bonds payable:								
Interceptor and treatment facilities	13	1.625%-5.00%	2031	\$ 84,226,023	\$ -	\$ (6,560,000)	\$ 77,666,023	\$ 6,390,000
District No. 3	2	2.50%-4.50%	2030	5,580,000	-	(310,000)	5,270,000	325,000
Water supply system	4	2.50%-5.375%	2045	69,565,000	60,000,000	(2,185,000)	127,380,000	2,250,000
Premiums on bonds payable				2,325,738	2,441,114	(193,990)	4,572,862	193,989
Subtotal				161,696,761	62,441,114	(9,248,990)	214,888,885	9,158,989
Community-related bonds payable:								
Interceptor and treatment facilities	2	4.00%-4.35%	2026	4,060,000	-	(430,000)	3,630,000	445,000
District No. 3	3	2.50%-7.375%	2019	6,820,000	-	(1,970,000)	4,850,000	2,020,000
Water supply system	2	2.50	2035	819,265	636,741	(40,000)	1,416,006	65,000
Subtotal				11,699,265	636,741	(2,440,000)	9,896,006	2,530,000
Total bonds payable				\$ 173,396,026	\$ 63,077,855	\$ (11,688,990)	\$ 224,784,891	\$ 11,688,989

	Beginning Balance October 1, 2014	Additions	Reductions	Ending Balance September 30, 2015	Due Within One Year
Component Unit Activities					
Bonds	\$ 220,500,000	\$ -	\$ -	\$ 220,500,000	\$ -
Premiums on bonds payable	11,421,693	-	393,852	11,027,841	393,851
Capital lease	35,000,000	-	-	35,000,000	-
Total component unit activities	\$ 266,921,693	\$ -	\$ 393,852	\$ 266,527,841	\$ 393,851

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 6 - Long-term Debt (Continued)

Total interest expense for the Division for the year was \$7,784,047, of which \$1,513,572 (interest expense net of interest income and premium amortization) was capitalized. Total interest expense for KWA for the year was \$13,493,055, of which \$12,896,908 (interest expense net of interest income) was capitalized.

Annual debt service requirements to maturity for the above bond obligations are as follows:

Years Ending December 31	Business-type Activities			Component Unit Activities - KWA		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 11,495,000	\$ 8,410,579	\$ 19,905,579	\$ -	\$ 11,127,488	\$ 11,127,488
2017	10,745,000	8,088,126	18,833,126	2,052,500	11,127,488	13,179,988
2018	10,595,000	7,759,437	18,354,437	4,190,000	11,044,863	15,234,863
2019	10,330,000	7,413,738	17,743,738	4,375,000	10,861,863	15,236,863
2020	9,430,000	7,090,506	16,520,506	4,565,000	10,669,613	15,234,613
2021-2025	52,480,000	30,277,703	82,757,703	26,130,000	50,045,440	76,175,440
2026-2030	44,121,023	20,838,935	64,959,958	33,342,500	42,833,071	76,175,571
2031-2035	25,981,006	12,611,132	38,592,138	42,925,000	33,249,638	76,174,638
2036-2040	22,715,000	7,486,225	30,201,225	55,177,500	21,000,470	76,177,970
2041-2045	22,320,000	2,302,600	24,622,600	47,742,500	5,582,007	53,324,507
Total	\$ 220,212,029	\$ 112,278,981	\$ 332,491,010	\$ 220,500,000	\$ 207,541,941	\$ 428,041,941

Future Revenue Pledged for Debt Payment

Revenue Bond - The Division has pledged substantially all revenue, net of operating expenses, to repay the above Genesee County Drain Commissioner water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water and waste systems described above. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$262,389,100. During the current year, net revenue of the system was \$19,814,789 compared to the annual debt requirements of \$10,576,686.

Note 7 - Retirement Plans - Defined Benefit Plan

Plan Description - The Division participates in a contributory agent multiple-employer defined benefit pension plan known as the Genesee County Employees Retirement System (GCERS or the "System"), administered by Genesee County. The plan is included as a pension trust fund Genesee County's Comprehensive Annual Financial Report. GCERS issues a publicly available annual financial report that includes financial statements and required supplementary information for the system as a whole. This report can be obtained from the Retirement Coordinator at the County's administrative offices, located at 1101 Beach Street, Flint, MI 48502, or on the State of Michigan's website.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 7 - Retirement Plans - Defined Benefit Plan (Continued)

GCERS was organized pursuant to Section 12a of Act 156, State of Michigan Public Acts of 1851 (MSA 5.33(1); MCLA 46.12a) as amended. GCERS was established by ordinance in 1946, beginning with general county employees and the County Road Commission. Genesee County Water and Waste Services joined the system in 1956; Genesee County Community Mental Health joined in 1966; the City of Mt. Morris joined in 1969; and the Genesee District Library joined in 1980. GCERS is regulated under the Genesee County Employees' Retirement System Ordinance, the sections of which have been approved by the State of Michigan Pension Commission.

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

GCERS provides for vesting of benefits after 10 years of service. Generally, participants may elect normal retirement with 25 years of credited service, regardless of age, or at age 60 with 10 or more years of credited service. Retirement benefits vary by employer group and are payable monthly. Generally, the retirement benefit is equal to the employee's final average compensation times the sum of 2.0-2.4 percent for each year of credited service. All employers allow members to elect a deferred annuity providing a lifetime benefit. The length of service required to elect the deferred annuity is either eight or 10 years, depending on the date of employment and employer group.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are between 1.75 and 3 percent, noncompounding.

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

Employees Covered by Benefit Terms - At the December 31, 2014 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	97
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	126
	<hr/>
Total employees covered by GCERS	<u>230</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2015

Note 7 - Retirement Plans - Defined Benefit Plan (Continued)

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

For the year ended December 31, 2015, the average active employee contribution rate was between 5.0 and 7.0 percent of annual pay and the Division's average contribution rate was 20.34 of annual payroll.

Net Pension Liability

The net pension liability reported at December 31, 2015 was determined using a measure of the total pension liability and the pension net position as of December 31, 2014. The December 31, 2014 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2013	\$ 58,052,464	\$ 40,526,962	\$ 17,525,502
Service cost	792,297	-	792,297
Interest	3,903,244	-	3,903,244
Differences between expected and actual experience	(1,552,139)	-	(1,552,139)
Changes in assumptions	1,720,622	-	1,720,622
Contributions - Employer	-	1,434,116	(1,434,116)
Contributions - Employee	-	491,212	(491,212)
Net investment income	-	2,799,943	(2,799,943)
Benefit payments, including refunds	(3,430,840)	(3,430,840)	-
Administrative expenses	-	(45,417)	45,417
Net changes	1,433,184	1,249,014	184,170
Balance at December 31, 2014	\$ 59,485,648	\$ 41,775,976	\$ 17,709,672

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

**Notes to Financial Statements
December 31, 2015**

Note 7 - Retirement Plans - Defined Benefit Plan (Continued)

Assumption Changes - As of the measurement date, December 31, 2014, the mortality table used by GCERS was updated to the RP 2000 Combined Healthy Mortality Table. This change in assumptions changed the total pension liability as noted in the table above.

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

For the year ended December 31, 2015, the Division recognized pension expense of \$1,527,362. At December 31, 2015, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,316,966
Changes in assumptions	1,459,922	-
Net difference between projected and actual earnings on pension plan investments	-	52,032
Employer contributions to the plan subsequent to the measurement date	<u>1,608,830</u>	<u>-</u>
Total	<u>\$ 3,068,752</u>	<u>\$ 1,368,998</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2016	\$ 12,520
2017	12,520
2018	12,520
2019	12,520
2020	25,528
Thereafter	15,316

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 7 - Retirement Plans - Defined Benefit Plan (Continued)

Actuarial Assumptions - The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	3-7.03 %	Across-the-board increases along with merit and longevity increases that range from .17 percent up to 4.03 percent
Discount rate	6.88 %	

Mortality rates were based on the RP 2000 Combined Healthy Mortality Table.

Discount Rate - The discount rate used to measure the total pension liability was 6.88 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, discount rate incorporates both the assumed rate of return of 8.0 percent and a municipal bond rate, which was 3.8 percent. The source of that bond rate was the S&P Muni Bond 20-year high-grade index.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 7 - Retirement Plans - Defined Benefit Plan (Continued)

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The nominal long-term expected rate of return for the system as a whole was 8.0 percent. The target allocation by class is as follows:

Asset Class	Target Allocation (%)
U.S. equities active or passive	30 %
Non-U.S. equities	20 %
Global fixed income	30 %
Commerical real estate	10 %
Alternative investment hedge funds	10 %

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Division, calculated using the discount rate of 6.88 percent, as well as what the Division's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.88 percent) or 1 percentage point higher (7.88 percent) than the current rate:

	1 Percent Decrease (5.88%)	Current Discount Rate (6.88%)	1 Percent Increase (7.88%)
Net pension liability of the Division	\$ 24,141,152	\$ 17,709,672	\$ 12,247,277

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 8 - Other Postemployment Benefits

Plan Description - The Division provides retiree health care, dental, life, and vision benefits to eligible employees and their spouses and dependents through the Municipal Employees' Retirement System. This is an agent multiple-employer defined benefit plan administered by the Division. The benefits are provided under collective bargaining and employee agreements.

Funding Policy - The collective bargaining and employee agreements do not require employee contributions. The Division has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the Division has made contributions to advance fund these benefits, as determined by the Division.

Funding Progress - For the year ended December 31, 2015, the Division has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2015. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,715,562
Interest on the prior year's net OPEB obligation	389,441
Less adjustment to the annual required contribution	<u>(127,867)</u>
Annual OPEB cost	2,977,136
Amounts contributed:	
Payments of current premiums	(1,506,763)
Advance funding	<u>(1,500,000)</u>
Total contributions	<u>(3,006,763)</u>
Decrease in net OPEB obligation	(29,627)
OPEB obligation - Beginning of year	<u>5,192,543</u>
OPEB obligation - End of year	<u><u>\$ 5,162,916</u></u>

The net OPEB obligation is recorded in the basic financial statements as part of noncurrent liabilities.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 8 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding year were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
12/31/13	\$ 2,723,912	117.60 %	\$ 5,197,070
12/31/14	3,738,090	100.10	5,192,543
12/31/15	2,977,136	101.00	5,162,916

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/10	\$ -	\$ 51,474,408	\$ 51,474,408	- %	\$ 7,610,890	676.33 %
9/30/12	2,333,369	37,819,976	35,486,607	6.17	7,312,770	485.27
12/31/13	4,580,978	52,626,256	48,045,278	8.70	7,092,691	677.39
12/31/15	9,101,281	41,766,267	32,664,986	21.79	8,163,418	400.14

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Contribution Rate as Percentage of Valuation Payroll
12/31/11	12/31/10	\$ 3,933,831	65.19 %	32.43 %
12/31/12	12/31/10	3,818,480	105.38	50.59
12/31/13	12/31/13	2,523,914	126.86	48.48
12/31/14	12/31/13	3,554,246	105.50	48.48
12/31/15	12/31/15	2,715,562	110.7	36.8

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 8 - Other Postemployment Benefits (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 actuarial valuation, the individual entry age actuarial-cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return (net of administrative expenses) and an assumed rate of increase for healthcare costs was 8 percent for medical and prescription drugs for 2015, with this rate of increase declining over seven years in 0.5 percent increments. Thereafter, it is assumed to be 5.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll over 30 years on an open basis.

Note 9 - Risk Management

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

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

	2015	2014
Unpaid claims - Beginning of year	\$ 485,354	\$ 471,398
Incurred claims, including claims incurred but not reported	2,438,023	2,329,699
Claims payments	<u>(2,415,456)</u>	<u>(2,315,743)</u>
Unpaid claims - End of year	<u>\$ 507,921</u>	<u>\$ 485,354</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2015

Note 10 - Upcoming Accounting Pronouncements

In February 2015, the Governmental Accounting Standards Board issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and acceptable valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB Statement No. 72 is required to be adopted for years beginning after June 15, 2015. The Division is currently evaluating the impact this standard will have on the financial statements when adopted, during the Division's 2016 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Division to recognize on the face of the financial statements its net OPEB liability related to its participation in the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The Division is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Division's financial statements for the year ending December 31, 2018.

Note 11 - Related Party Transactions

During fiscal year 2013, the Karegnondi Water Authority (the "Authority") was formed. The Authority has retained the services of the Division to administer the design and construction of the raw water supply system. In addition, it is expected that the Authority will contract with the Division for operation and maintenance of the raw water supply system after the system is completed and operational. The Authority has no employees of its own, with all current and future services expected to be rendered by division employees.

The Division has entered into certain contracts with the Authority as a local unit so as to acquire a supply of raw water. This new raw water supply system is expected to be utilized by the Division in late 2017, at which time the Division will cease purchasing finished water from the Detroit Water and Sewerage Department.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2015

Note 11 - Related Party Transactions (Continued)

In August 2013, the Division entered into a water purchase contract with the Authority, which provides the Division with 42 MGD of capacity, out of a total authority capacity of 60 MGD. This arrangement in effect means the Division will provide the Authority with 70 percent of its total operating revenue over the coming years. In addition, the Division has entered into a financing contract with the Authority, which obligates the Division to pay to the Authority approximately 65.8 percent of the Authority's debt service. A copy of the financing contract can be viewed in the Authority's official statement.

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

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

2017	\$ 2,527,188
2018	2,527,588
2019	2,526,588
2020	2,527,188
2021	2,525,437
2022-2026	12,637,937
2027-2031	12,635,288
2032-2036	12,636,112
2037-2041	<u>12,638,928</u>
Total minimum lease payments	63,184,254
Less amount representing interest	<u>(28,184,254)</u>
Present value	<u>\$ 35,000,000</u>

Required Supplemental Information

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

**Required Supplemental Information
Other Postemployment Health Benefits
Schedule of Funding Progress
Year Ended December 31, 2015**

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/12	\$ 2,333,369	\$ 37,819,976	\$ 35,486,607	6.17	\$ 7,312,770	485.27
12/31/13	4,580,978	52,626,256	48,045,278	8.70	7,092,691	677.39
12/31/15	9,101,281	41,766,267	32,664,986	21.79	8,163,418	400.14

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2015, the latest actuarial valuation, is as follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Medical inflation rate	8.0%

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

**Required Supplemental Information
Schedule of Changes in the Division Net Pension Liability
and Related Ratios
December 31, 2014**

	2014
Total Pension Liability	
Service cost	\$ 792,297
Interest	3,903,244
Changes in benefit terms	-
Differences between expected and actual experience	(1,552,139)
Changes in assumptions	1,720,622
Benefit payments, including refunds	(3,430,840)
Net change in total pension liability	1,433,184
Total pension liability - Beginning of year	58,052,464
Total pension liability - End of year	\$ 59,485,648
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,434,116
Contributions - Member	491,212
Net investment income	2,799,943
Administrative expenses	(45,417)
Benefit payments, including refunds	(3,430,840)
Other	-
Net change in plan fiduciary net position	1,249,014
Plan fiduciary net position - Beginning of year	40,526,962
Plan fiduciary net position - End of year	\$ 41,775,976
Division's net pension liability - Ending	\$ 17,709,672
Plan fiduciary net position as a percent of total pension liability	70.23 %
Covered employee payroll	\$ 7,910,806
Division's net pension liability as a percent of covered employee payroll	223.9 %

Supplemental Information

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Position (Divisional Detail) - Enterprise Fund December 31, 2015

	December 31, 2015				December 31, 2014	
	Sewage Disposal Systems					
	Interceptor and Treatment Facilities	District No. 3	District No. 7	Water Supply Systems	Total	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 5,335,399	\$ 1,850,075	\$ 485,388	\$ 6,711,283	\$ 14,382,145	\$ 7,618,296
Accounts receivable	6,562,416	861,807	154,580	5,241,248	12,820,051	11,694,287
Current portion of leases receivable	445,000	2,020,000	-	65,000	2,530,000	3,925,000
Due from other governmental units	25,288	51,646	-	5,581,159	5,658,093	2,252,636
Inventory	-	-	-	-	-	35,715
Prepaid expenses and other assets	154,329	22,307	2,694	417,623	596,953	488,339
Total current assets	12,522,432	4,805,835	642,662	18,016,313	35,987,242	26,014,273
Noncurrent assets:						
Restricted cash and cash equivalents	-	530,263	-	44,309,713	44,839,976	5,341,861
Leases receivable - Net of current portion	3,185,000	2,830,000	-	36,351,006	42,366,006	42,774,265
Local unit construction in progress	-	-	-	940,084	940,084	-
Capital assets:						
Assets not subject to depreciation	1,102,195	746,757	-	22,615,901	24,464,853	4,423,576
Assets subject to depreciation - Net of depreciation	208,267,799	26,341,595	400,829	61,887,329	296,897,552	305,074,240
Total noncurrent assets	212,554,994	30,448,615	400,829	166,104,033	409,508,471	357,613,942
Total assets	225,077,426	35,254,450	1,043,491	184,120,346	445,495,713	383,628,215
Deferred Outflows of Resources	1,800,761	359,351	65,978	880,283	3,106,373	47,710
Liabilities						
Current liabilities:						
Accounts payable	2,051,047	296,099	38,559	5,943,057	8,328,762	4,787,938
Current portion of long-term debt	6,846,032	2,346,597	-	2,496,360	11,688,989	11,495,000
Total current liabilities	8,897,079	2,642,696	38,559	8,439,417	20,017,751	16,282,938
Noncurrent liabilities:						
Liabilities related to restricted assets	-	36,929	-	3,365,605	3,402,534	4,718,438
Unearned leases	-	-	-	901,741	901,741	-
Other postemployment benefit obligation	3,182,894	500,721	84,476	1,394,825	5,162,916	5,192,543
Net pension liability	10,287,548	2,073,803	380,758	4,967,563	17,709,672	-
Long-term debt - Net of current portion	74,590,910	7,792,568	-	130,712,424	213,095,902	161,901,026
Total noncurrent liabilities	88,061,352	10,404,021	465,234	141,342,158	240,272,765	171,812,007
Total liabilities	96,958,431	13,046,717	503,793	149,781,575	260,290,516	188,094,945
Deferred Inflows of Resources	795,251	160,310	29,433	384,004	1,368,998	-
Equity - Net position						
Net investment in capital assets	131,581,175	21,799,187	400,829	28,674,058	182,455,249	182,983,978
Restricted for debt service	-	493,334	-	-	493,334	488,210
Unrestricted	(2,456,670)	114,253	175,414	6,160,992	3,993,989	12,108,792
Total net position	<u>\$ 129,124,505</u>	<u>\$ 22,406,774</u>	<u>\$ 576,243</u>	<u>\$ 34,835,050</u>	<u>\$ 186,942,572</u>	<u>\$ 3,668,786</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Position (Divisional Detail) - Enterprise Fund

	Year Ended December 31, 2015				Year Ended December 31, 2014	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Charges for sales and service:						
Sale of water	\$ -	\$ -	\$ -	\$ 30,135,814	\$ 30,135,814	\$ 27,239,220
Sewage disposal charges	25,358,801	4,571,293	940,440	-	30,870,534	29,829,614
Billing services	141,021	-	-	-	141,021	145,943
Water meter sales	-	-	-	90,672	90,672	88,254
Sewer and pumping station - Operation and maintenance	1,212,433	-	-	-	1,212,433	1,197,219
Other operating revenue	547,197	222,865	3,300	934,285	1,707,647	1,590,383
Total operating revenue	27,259,452	4,794,158	943,740	31,160,771	64,158,121	60,090,633
Operating Expenses						
Cost of water	-	-	-	18,207,829	18,207,829	16,159,253
Sludge disposal service	864,073	282,640	-	-	1,146,713	1,070,924
Cost of insurance claims and expenses	158,072	36,939	6,379	167,899	369,289	353,892
Repairs and maintenance	1,329,067	452,214	297,582	483,740	2,562,603	1,939,120
Personnel services	8,886,677	1,816,676	361,692	4,371,500	15,436,545	15,799,509
Other supplies and expenses	1,458,727	137,957	40,312	307,195	1,944,191	1,380,670
Contractual services	1,227,521	147,261	7,106	551,416	1,933,304	2,208,801
Utilities	2,353,737	447,272	172,626	503,078	3,476,713	3,775,097
Depreciation	5,530,606	761,573	27,636	2,115,997	8,435,812	8,392,902
Total operating expenses	21,808,480	4,082,532	913,333	26,708,654	53,512,999	51,080,168
Operating Income	5,450,972	711,626	30,407	4,452,117	10,645,122	9,010,465
Nonoperating Revenue (Expenses)						
Community bond interest income	159,047	235,761	-	1,731,805	2,126,613	2,350,531
Community bond interest expense	(159,047)	(235,761)	-	(1,731,805)	(2,126,613)	(2,350,531)
Miscellaneous income	573,000	-	-	606,810	1,179,810	1,292,782
Bond issuance costs	-	-	-	-	-	(74,370)
Interest expense	(2,164,048)	(214,293)	-	(1,881,707)	(4,260,048)	(4,429,933)
Investment income	937	172	25	3,943	5,077	14,437
Gain on sale of assets	-	-	-	-	-	8,500
Total nonoperating (expense) revenue	(1,590,111)	(214,121)	25	(1,270,954)	(3,075,161)	(3,188,584)
Income	3,860,861	497,505	30,432	3,181,163	7,569,961	5,821,881
Transfers Out	56,151	8,774	1,755	50,303	116,983	-
Increase in Net Position	3,804,710	488,731	28,677	3,130,860	7,452,978	5,821,881
Net Position - Beginning of year (as restated)	125,319,795	21,918,043	547,566	31,704,190	179,489,594	189,759,099
Net Position - End of year	\$ 129,124,505	\$ 22,406,774	\$ 576,243	\$ 34,835,050	\$ 186,942,572	\$ 195,580,980

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows (Divisional Detail) - Enterprise Fund

	Year Ended December 31, 2015					Year Ended December 31, 2014
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Cash Flows from Operating Activities						
Receipts from customers	\$ 26,680,059	\$ 4,787,767	\$ 992,144	\$ 30,535,772	\$ 62,995,742	\$ 58,756,007
Payments to suppliers and others for goods and services	(7,309,908)	(1,579,132)	(528,041)	(19,699,645)	(29,116,726)	(26,139,648)
Payments for salaries and employee benefits	(8,674,730)	(1,701,805)	(324,777)	(4,142,641)	(14,843,953)	(15,657,271)
Net cash provided by operating activities	10,695,421	1,506,830	139,326	6,693,486	19,035,063	16,959,088
Cash Flows from Capital and Related Financing Activities						
Purchases of capital assets	(141,966)	(62,370)	-	(22,005,588)	(22,209,924)	(6,126,217)
Collection of interest from communities and C.U. (KWA)	161,958	258,703	-	19,982	440,643	584,016
Community and C.U. (KWA) interest expense	-	-	-	(1,731,806)	(1,731,806)	(2,396,227)
Collection of leases receivable from municipalities	430,000	1,970,000	-	-	2,400,000	2,885,000
Proceeds from issuance of refunding bonds	-	-	-	60,000,000	60,000,000	30,285,000
Principal paid on bond maturities	(6,990,000)	(2,280,000)	-	(2,225,000)	(11,495,000)	(11,635,000)
Interest paid on bonds	(2,374,560)	(476,642)	-	(483,697)	(3,334,899)	(4,392,147)
Miscellaneous revenue	568,182	-	-	648,243	1,216,425	1,170,623
Premium proceeds on bonded debt and bond issuance costs	-	-	-	1,967,580	1,967,580	1,075,738
Project cost reimbursement from C.U. (KWA)	-	-	-	-	-	7,160,391
Establish capital lease for project costs paid in current year	-	-	-	-	-	(25,540,858)
Return of investment in capital assets	-	85,789	-	-	85,789	(31,365,000)
Payment received on loan to C.U. (KWA)	-	-	-	-	-	5,000,000
Transfers to other funds	(56,151)	(8,774)	(1,755)	(50,303)	(116,983)	-
Net cash (used in) provided by capital and related financing activities	(8,402,537)	(513,294)	(1,755)	36,139,411	27,221,825	(33,294,681)
Cash Flows from Investing Activities - Investment income	937	172	24	3,943	5,076	14,437
Net Increase (Decrease) in Cash and Cash Equivalents	2,293,821	993,708	137,595	42,836,840	46,261,964	(16,321,156)
Cash and Cash Equivalents - Beginning of year	3,041,578	1,386,630	347,793	8,184,156	12,960,157	29,281,313
Cash and Cash Equivalents - End of year	<u>\$ 5,335,399</u>	<u>\$ 2,380,338</u>	<u>\$ 485,388</u>	<u>\$ 51,020,996</u>	<u>\$ 59,222,121</u>	<u>\$ 12,960,157</u>
Statement of Net Position Classification of Cash and Cash Equivalents						
Cash and cash equivalents	\$ 5,335,399	\$ 1,850,075	\$ 485,388	\$ 6,711,283	\$ 14,382,145	\$ 7,618,296
Restricted cash and cash equivalents	-	530,263	-	44,309,713	44,839,976	5,341,861
Total cash and cash equivalents	<u>\$ 5,335,399</u>	<u>\$ 2,380,338</u>	<u>\$ 485,388</u>	<u>\$ 51,020,996</u>	<u>\$ 59,222,121</u>	<u>\$ 12,960,157</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows (Divisional Detail) - Enterprise Fund (Continued)

	Year Ended December 31, 2015					Year Ended December 31, 2014
	Sewage Disposal Systems				Total	Total
	Interceptor and Treatment Facilities	District No. 3	District No. 7	Water Supply Systems		
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating income	\$ 5,450,972	\$ 711,626	\$ 30,407	\$ 4,452,117	\$ 10,645,122	\$ 9,010,465
Depreciation	5,530,606	761,573	27,636	2,115,997	8,435,812	8,392,901
Changes in assets and liabilities:						
Receivables	(579,393)	(6,391)	48,404	(624,999)	(1,162,379)	(1,325,639)
Inventories	-	-	-	35,715	35,715	4,904
Prepaid and other assets	79,825	12,291	2,282	(203,012)	(108,614)	(4,574)
Accounts payable and accrued expenses	1,464	(87,140)	(6,318)	688,809	596,815	134,432
C.U. (KWA) related transactions	-	-	-	-	-	746,599
OPEB liability	(17,327)	(3,539)	(625)	(8,136)	(29,627)	-
Accrued and other liabilities	360,273	70,021	11,937	261,456	703,687	-
Net pension liability	(130,999)	48,389	25,603	(24,461)	(81,468)	-
Net cash provided by operating activities	<u>\$ 10,695,421</u>	<u>\$ 1,506,830</u>	<u>\$ 139,326</u>	<u>\$ 6,693,486</u>	<u>\$ 19,035,063</u>	<u>\$ 16,959,088</u>

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

**Statement of Net Position - Internal Service Fund
(Equipment Fund)**

	December 31, 2015	December 31, 2014
Assets		
Current assets - Cash and cash equivalents	\$ 431,116	\$ 515,689
Noncurrent assets - Capital assets - Assets subject to depreciation - Net of depreciation	<u>1,981,581</u>	<u>2,273,047</u>
Total assets	2,412,697	2,788,736
Liabilities - Current liabilities - Accounts payable and accrued expenses	<u>1,967</u>	<u>4,475</u>
Equity - Net position		
Net investment in capital assets	1,981,581	2,273,047
Unrestricted	<u>429,149</u>	<u>511,214</u>
Total net position	<u>\$ 2,410,730</u>	<u>\$ 2,784,261</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Revenue, Expenses, and Changes in Net Position - Internal Service Fund (Equipment Fund)

	Year Ended December 31	
	2015	2014
Operating Expenses		
Supplies	\$ 52,832	\$ 79,008
Depreciation	437,682	419,745
Total operating expenses	490,514	498,753
Operating Loss	(490,514)	(498,753)
Nonoperating Revenue - Gain on sale of assets	-	37,966
Transfers In	116,983	-
Decrease in Net Position	(373,531)	(460,787)
Net Position - Beginning of year	2,784,261	3,245,048
Net Position - End of year	\$ 2,410,730	\$ 2,784,261

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows - Internal Service Fund (Equipment Fund)

	Year Ended December 31	
	2015	2014
Cash Flows from Operating Activities - Payments to suppliers and others for goods and services	\$ (55,340)	\$ (188,695)
Cash Flows from Capital and Related Financing Activities		
Proceeds from sales of capital assets	-	37,966
Purchase of capital assets	(146,216)	(213,947)
Operating transfer	116,983	-
Net cash used in capital and related financing activities	(29,233)	(175,981)
Net Decrease in Cash and Cash Equivalents	(84,573)	(364,676)
Cash and Cash Equivalents - Beginning of year	515,689	880,365
Cash and Cash Equivalents - End of year	\$ 431,116	\$ 515,689
Statement of Net Position Classification of Cash and Cash Equivalents	\$ 431,116	\$ 515,689
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (490,514)	\$ (498,753)
Depreciation	437,682	419,745
Changes in assets and liabilities - Accounts payable, accrued expenses, and deferred revenue	(2,508)	(109,687)
Net cash used in operating activities	\$ (55,340)	\$ (188,695)

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal	Issued During the Year	Retired During the Year	Principal	2016		2017	
	Outstanding January 1, 2015			Outstanding December 31, 2015	Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
Genesee County Drain Commissioner Bonds Payable:								
Series 2003 \$9,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Western Trunk Relief project. Due serially in various amounts ranging from \$350,000 to \$2,350,000 through 2018 with interest rates from 2.00% to 4.50%	\$ 2,105,000	\$ -	\$ (495,000)	\$ 1,610,000	\$ 515,000	\$ 72,450	\$ 535,000	\$ 49,275
Series 2005A \$22,180,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Northeast Extension Sewer project. Fully drawn in May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with an interest rate of 1.625%	14,150,000	-	(1,080,000)	13,070,000	1,095,000	212,388	1,115,000	194,594
Series 2005B \$15,505,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee for Division project. Fully drawn in May 2007. Due in amounts ranging from \$660,000 to \$900,000 through 2026 with an interest rate of 1.625%	9,900,000	-	(755,000)	9,145,000	765,000	142,391	780,000	129,838
Series 2006A \$2,815,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in October 2007. Due in amounts ranging from \$120,000 to \$165,000 through 2027 with an interest rate of 1.625%	1,935,000	-	(135,000)	1,800,000	135,000	29,250	140,000	27,056
Series 2006B \$7,705,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with an interest rate of 1.625%	5,285,000	-	(370,000)	4,915,000	375,000	79,869	380,000	73,775
Series 2006C \$4,335,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with an interest rate of 1.625%	2,970,000	-	(205,000)	2,765,000	210,000	44,931	215,000	41,519
Series 2007 \$10,500,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in December 2010. Due in amounts ranging from \$450,000 to \$610,000 through 2028 with an interest rate of 1.625%	7,695,000	-	(495,000)	7,200,000	500,000	112,938	510,000	104,731

Genesee County Drain Commissioner Division of Water and Waste Services

Summary of Bonds Payable Year Ended December 31, 2015

2018		2019		2020		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 560,000	\$ 25,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,610,000	\$ 146,925
1,130,000	176,475	1,150,000	158,113	1,170,000	139,425	7,410,000	427,132	13,070,000	1,308,127
790,000	117,081	805,000	104,122	815,000	90,959	5,190,000	256,913	9,145,000	841,304
140,000	24,781	145,000	22,506	145,000	20,150	1,095,000	72,312	1,800,000	196,055
385,000	67,600	395,000	61,344	400,000	54,925	2,980,000	196,868	4,915,000	534,381
215,000	38,025	220,000	34,531	225,000	30,956	1,680,000	110,988	2,765,000	300,950
520,000	96,363	525,000	87,872	535,000	79,259	4,610,000	305,988	7,200,000	787,151

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal	Issued During the Year	Retired During the Year	Principal	2016		2017	
	Outstanding January 1, 2015			Outstanding December 31, 2015	Principal	Interest	Principal	Interest
Interceptor and Treatment Facilities								
Genesee County Drain Commissioner Bonds Payable:								
Series 2007B \$8,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Due serially and term amounts ranging from \$240,000 to \$605,000 through 2028 with interest rates from 4.00% to 4.40%	\$ 6,355,000	\$ -	\$ (325,000)	\$ 6,030,000	\$ 340,000	\$ 252,378	\$ 360,000	\$ 238,778
Series 2009A \$15,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Due serially and term amounts ranging from \$475,000 to \$1,150,000 through 2029 with interest rates from 2.75% to 5.00%	12,550,000	-	(525,000)	12,025,000	600,000	561,281	625,000	541,031
Series 2010A \$14,010,023 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Pump Station #1, ARTP Blower Revamp, and ARTP Clarifiers. Fully drawn in May 2013. Due in amounts ranging from \$569,000 to \$861,023 through 2030 with an interest rate of 2.50%	11,686,023	-	(615,000)	11,071,023	615,000	276,776	645,000	261,401
Series 2011A \$1,445,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for ARTP Switchgears. Fully drawn in October 2012. Due in amounts ranging from \$55,000 to \$90,000 through 2031 with an interest rate of 2.50%	1,270,000	-	(60,000)	1,210,000	60,000	30,250	65,000	28,750
Series 2011B \$4,825,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for NEES 3E. Due serially and term in amounts ranging from \$180,000 to \$405,000 through 2031 with interest rates from 3.00% to 5.00%	4,825,000	-	-	4,825,000	180,000	198,800	185,000	193,325
Refunding Series 2011C \$7,870,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Refunded Series 2000, \$6,000,000 ARTP Grit Removal bond and Series 2002A, \$1,870,000 ARTP Enhancement bond. Due in amounts ranging from \$1,000,000 to \$1,500,000 through 2017 with interest rates from 2.00% to 2.25%	3,500,000	-	(1,500,000)	2,000,000	1,000,000	32,500	1,000,000	11,250
Total Genesee County Drain Commission bonds payable	84,226,023	-	(6,560,000)	77,666,023	6,390,000	2,046,202	6,555,000	1,895,323

Summary of Bonds Payable (Continued) Year Ended December 31, 2015

2018		2019		2020		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 375,000	\$ 224,378	\$ 395,000	\$ 209,378	\$ 415,000	\$ 193,578	\$ 4,145,000	\$ 851,901	\$ 6,030,000	\$ 1,970,391
675,000	519,156	700,000	491,313	750,000	461,563	8,675,000	2,296,250	12,025,000	4,870,594
645,000	245,276	675,000	229,151	675,000	212,276	7,816,023	1,111,010	11,071,023	2,335,890
65,000	27,125	65,000	25,500	70,000	23,875	885,000	138,000	1,210,000	273,500
250,000	186,800	260,000	178,988	270,000	169,525	3,680,000	1,015,507	4,825,000	1,942,945
-	-	-	-	-	-	-	-	2,000,000	43,750
5,750,000	1,748,260	5,335,000	1,602,818	5,470,000	1,476,491	48,166,023	6,782,869	77,666,023	15,551,963

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal		Retired During the Year	Principal		2016		2017	
	Outstanding January 1, 2015	Issued During the Year		Outstanding December 31, 2015	Principal	Interest	Principal	Interest	
Interceptor and Treatment Facilities									
Community-related Bonds Payable:									
Refunding Series 2005 \$2,900,000 County of Genesee Limited Tax General Obligation Bonds. Refunded Series 1999, \$3,800,000 Bonds for Mt. Morris Township Sanitary Sewer System project. Due serially in amounts ranging from \$15,000 to \$315,000 through 2019 with interest rates from 4.00% to 4.25%									
	\$ 1,440,000	\$ -	\$ (265,000)	\$ 1,175,000	\$ 275,000	\$ 43,453	\$ 285,000	\$ 31,901	
Series 2006 \$3,665,000 County of Genesee Limited Tax General Obligation Bonds for Community Western Trunk Extension Sewer Phase II project. Due serially in amounts ranging from \$110,000 to \$285,000 through 2026 with interest rates from 4.00% to 4.35%									
	2,620,000	-	(165,000)	2,455,000	170,000	99,235	180,000	92,235	
Total Community-related bonds payable	4,060,000	-	(430,000)	3,630,000	445,000	142,688	465,000	124,136	
Total Interceptor and Treatment Facilities bonds payable	\$ 88,286,023	\$ -	\$ (6,990,000)	\$ 81,296,023	\$ 6,835,000	2,188,890	\$ 7,020,000	2,019,459	
District No. 3									
Genesee County Drain Commissioner Bonds Payable:									
Series 2007 \$6,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Treatment Plant Improvement project. Due serially in various amounts ranging from \$195,000 to \$470,000 through 2027 with interest rates from 4.00% to 4.50%									
	\$ 4,670,000	\$ -	\$ (265,000)	\$ 4,405,000	\$ 275,000	\$ 183,638	\$ 290,000	\$ 172,338	
Series 2010A \$1,089,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for District No.3 Digester Phase I. Fully drawn in September 2011. Due in amounts ranging from \$44,000 to \$70,000 through 2030 with an interest rate of 2.50%									
	910,000	-	(45,000)	865,000	50,000	21,625	50,000	20,375	
Total Genesee County Drain Commission bonds payable	5,580,000	-	(310,000)	5,270,000	325,000	205,263	340,000	192,713	
Community-related Bonds Payable:									
Series 1996 \$1,240,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Robston and Ripley Road Arms project. Due serially in amounts ranging from \$25,000 to \$100,000 through 2017 with interest rates from 5.00% to 7.375%									
	300,000	-	(100,000)	200,000	100,000	8,250	100,000	2,750	
Refunding Series 1996A \$12,940,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Refunded Series 2005, \$6,000,000 District No. 3 Treatment Plant Improvement bond. Due serially in various amounts ranging from \$75,000 to \$1,355,000 through 2016 with interest rates from 2.50% to 5.00%									
	2,655,000	-	(1,330,000)	1,325,000	1,325,000	33,125	-	-	
Refunding Series 2007 \$5,615,000 County of Genesee Limited Tax General Obligation Bonds. Partially refunded Series 1998, \$7,140,000 Bonds for City of Fenton, Fenton Township, and City of Linden Sewage Disposal System project. Due serially in amounts ranging from \$20,000 to \$915,000 through 2019 with an interest rate of 4.00%									
	3,865,000	-	(540,000)	3,325,000	595,000	121,100	910,000	91,000	
Total Community-related bonds payable	6,820,000	-	(1,970,000)	4,850,000	2,020,000	162,475	1,010,000	93,750	
Total District No. 3 bonds payable	\$ 12,400,000	\$ -	\$ (2,280,000)	\$ 10,120,000	\$ 2,345,000	367,738	\$ 1,350,000	286,463	

Summary of Bonds Payable (Continued) Year Ended December 31, 2015

2018		2019		2020		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 300,000	\$ 19,688	\$ 315,000	\$ 6,694	\$ -	\$ -	\$ -	\$ -	\$ 1,175,000	\$ 101,736
190,000	84,835	200,000	77,035	210,000	68,730	1,505,000	204,676	2,455,000	626,746
490,000	104,523	515,000	83,729	210,000	68,730	1,505,000	204,676	3,630,000	728,482
\$ 6,240,000	1,852,783	\$ 5,850,000	1,686,547	\$ 5,680,000	1,545,221	\$ 49,671,023	6,987,545	\$ 81,296,023	16,280,445
\$ 305,000	\$ 160,438	\$ 320,000	\$ 147,938	\$ 335,000	\$ 134,419	\$ 2,880,000	\$ 475,300	\$ 4,405,000	\$ 1,274,071
50,000	19,125	50,000	17,875	55,000	16,625	610,000	87,250	865,000	182,875
355,000	179,563	370,000	165,813	390,000	151,044	3,490,000	562,550	5,270,000	1,456,946
-	-	-	-	-	-	-	-	200,000	11,000
-	-	-	-	-	-	-	-	1,325,000	33,125
915,000	54,500	905,000	18,100	-	-	-	-	3,325,000	284,700
915,000	54,500	905,000	18,100	-	-	-	-	4,850,000	328,825
\$ 1,270,000	234,063	\$ 1,275,000	183,913	\$ 390,000	151,044	\$ 3,490,000	562,550	\$ 10,120,000	\$ 1,785,771

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2015	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2015	2016		2017	
					Principal	Interest	Principal	Interest
Water Supply Systems								
Genesee County Drain Commissioner Bonds Payable:								
Series 2007 \$6,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for North Water Loop III project. Due serially and term in various amounts ranging from \$150,000 to \$450,000 through 2033 with interest rates from 4.00% to 4.40%	\$ 4,950,000	\$ -	\$ (160,000)	\$ 4,790,000	\$ 160,000	\$ 208,153	\$ 160,000	\$ 201,353
Series 2013 \$35,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Lake Huron Initiative project. Due serially and term in various amounts ranging from \$670,000 to \$2,400,000 through 2038 with interest rates from 2.00% to 5.375%	34,330,000	-	(815,000)	33,515,000	840,000.00	1,687,388	865,000	1,662,188
Series 2014 \$30,285,000 Revenue Refunding Bonds backed by the full faith and credit of the County of Genesee. Due serially in various amounts ranging from \$1,210,000 to \$2,130,000 through 2034 with interest rates from 3.00% to 5.00%	30,285,000	-	(1,210,000)	29,075,000	1,250,000.00	1,253,988	1,285,000	1,216,488
Series 2015 \$60,000,000 Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant. Due serially in amounts ranging from \$605,000 to \$2,490,000 through 2035 with interest rates from 5.00% to 3.625% and in term amounts of \$15,880,000 and \$22,320,000 with interest of 5.25% and 4.00% in 2040 and 2045, respectively	-	60,000,000	-	60,000,000	-	2,668,819	-	2,668,819
Total Genesee County Drain Commission bonds payable	69,565,000	60,000,000	(2,185,000)	127,380,000	2,250,000	5,818,347	2,310,000	5,748,847
Community-related Bonds Payable:								
Series 2011 \$933,515 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Fenton Road Watermain - Bristol to Maple. Fully drawn in July 2012. Due in amounts ranging from \$34,250 to \$59,265 through 2031 with an interest rate of 2.50%	819,265	-	(40,000)	779,265	40,000.00	18,982	40,000.00	17,982
Series 2015 \$1,050,000 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Dalton Subdivision Watermain Replacement. Will be fully drawn in 2016. Due serially in amounts ranging from \$50,000 to \$80,000 through 2035 with an interest rate of 2.50%	-	636,741	-	636,741	25,000.00	16,622	25,000.00	15,375
Total Community-related bonds payable	819,265	636,741	(40,000)	1,416,006	65,000	35,604	65,000	33,357
Total Water Supply Systems bonds payable	\$ 70,384,265	\$ 60,636,741	\$ (2,225,000)	\$ 128,796,006	\$ 2,315,000	\$ 5,853,951	\$ 2,375,000	\$ 5,782,204
Total Genesee County Drain Commission Bonds Payable	\$ 159,371,023	\$ 60,000,000	\$ (9,055,000)	\$ 210,316,023	\$ 8,965,000	\$ 8,069,812	\$ 9,205,000	\$ 7,836,883
Total Community-related Bonds Payable	11,699,265	636,741	(2,440,000)	9,896,006	2,530,000	340,767	1,540,000	251,243
Total - All Bonds Payable	\$ 171,070,288	\$ 60,636,741	\$ (11,495,000)	\$ 220,212,029	\$ 11,495,000	\$ 8,410,579	\$ 10,745,000	\$ 8,088,126

Summary of Bonds Payable (Continued) Year Ended December 31, 2015

2018		2019		2020		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 165,000	\$ 194,553	\$ 165,000	\$ 187,540	\$ 165,000	\$ 180,528	\$ 3,975,000	\$ 1,432,075	\$ 4,790,000	\$ 2,404,202
900,000	1,627,588	935,000	1,591,588	975,000	1,554,188	29,000,000	16,490,056	33,515,000	24,612,994
1,345,000	1,165,088	1,410,000	1,111,288	1,475,000	1,040,788	22,310,000	6,195,031	29,075,000	11,982,669
605,000	2,653,694	625,000	2,622,944	670,000	2,590,569	58,100,000	41,660,716	60,000,000	54,865,560
3,015,000	5,640,922	3,135,000	5,513,359	3,285,000	5,366,072	113,385,000	65,777,878	127,380,000	93,865,424
45,000.00	16,919	45,000.00	15,794	45,000	14,669	564,265	80,996	779,265	165,342
25,000.00	14,750	25,000.00	14,125	30,000	13,500	506,741	107,625	636,741	181,997
70,000	31,669	70,000	29,919	75,000	28,169	1,071,006	188,621	1,416,006	347,339
\$ 3,085,000	\$ 5,672,591	\$ 3,205,000	\$ 5,543,278	\$ 3,360,000	\$ 5,394,241	\$ 114,456,006	\$ 65,966,499	\$ 128,796,006	\$ 94,212,763
\$ 9,120,000	\$ 7,568,745	\$ 8,840,000	\$ 7,281,990	\$ 9,145,000	\$ 6,993,607	\$ 165,041,023	\$ 73,123,297	\$ 210,316,023	\$ 110,874,333
1,475,000	190,692	1,490,000	131,748	285,000	96,899	2,576,006	393,297	9,896,006	1,404,646
\$ 10,595,000	\$ 7,759,437	\$ 10,330,000	\$ 7,413,738	\$ 9,430,000	\$ 7,090,506	\$ 167,617,029	\$ 73,516,594	\$ 220,212,029	\$ 112,278,979