

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

**Financial Report
with Supplemental Information
December 31, 2014**

Genesee County Drain Commissioner Division of Water and Waste Services

Contents

Report Letter	1-3
Management's Discussion and Analysis	4-11
Basic Financial Statements	
Statement of Net Position - Proprietary Fund Types	12
Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Fund Types	13
Statement of Cash Flows - Proprietary Fund Types	14-15
Notes to Financial Statements	16-34
Required Supplemental Information	35
Pension Schedule of Funding Progress	36
Other Postemployment Health Benefits Schedule of Funding Progress	37
Supplemental Information	38
Statement of Net Position (Divisional Detail) - Enterprise Fund	39
Statement of Revenue, Expenses, and Changes in Net Position (Divisional Detail) - Enterprise Fund	40
Statement of Cash Flows (Divisional Detail) - Enterprise Fund	41-42
Statement of Net Position - Internal Service Fund (Equipment Fund)	43
Statement of Revenue, Expenses, and Changes in Net Position - Internal Service Fund (Equipment Fund)	44
Statement of Cash Flows - Internal Service Fund (Equipment Fund)	45
Summary of Bonds Payable	46-53

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 the 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, 2014 and the related notes to the financial statements, which collectively comprise the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

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

Opinion

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 the Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2014 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.

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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements. The supplemental information, as identified in the table of contents, for the year ended June 30, 2014 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Prior Year Comparative Information

We have previously audited the Genesee County Drain Commissioner Division of Water and Waste Services' December 31, 2013 financial statements, and we expressed unmodified opinions on the respective financial statements of the Enterprise Fund, Internal Service Funds, and business-type activities information in our report dated June 4, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Plante & Moran, PLLC

May 20, 2015

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

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 (O&M) Department 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 3), the Bird Road Lagoons (District 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 Districts No. 3 and No. 7 providing service for several outlying areas. And while the District No. 3 and No. 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. The ARTP accomplished this goal in 2014 by applying 4,298 dry tons of stabilized biosolids on approximately 1,900 acres of approved fields. In 2014, District No. 3 applied 1,042 dry tons of stabilized biosolids on approximately 650 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. And in order to provide an uninterrupted supply of safe drinking water, this department 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 2014, the Division made 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 initiated engineering work for its new water treatment plant which will treat the raw water to be supplied by the KWA. Construction work commencing in 2015 is expected to culminate in this new plant coming online in late 2017, at which time the Division will discontinue its purchase and use of DWSD treated water. Funding for this new water treatment plant will come from bond sale proceeds, with the first bond sale being completed in April 2015.

Rate Structure

During 2014, the Division received two water supply rate increases from DWSD, which the Division passed through to its community customers beginning in October 2014. The Division is currently waiting on notice of another water supply rate increase from DWSD, with an associated increase expected to be passed on to the Division's community customers during 2015. 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
	2014	2013		
Assets				
Current assets	\$ 26,529,962	\$ 25,612,603	\$ 917,359	3.6 %
Restricted assets	5,341,861	23,741,635	(18,399,774)	(77.5)
Noncurrent lease receivable	42,774,265	14,024,265	28,750,000	205.0
Capital assets	<u>311,770,863</u>	<u>331,304,181</u>	<u>(19,533,318)</u>	(5.9)
Total assets	386,416,951	394,682,684	(8,265,733)	(2.1)
Deferred outflows of resources - Deferred charge on refunding	47,710	36,249	11,461	31.6
Liabilities				
Current liabilities	16,287,413	16,211,993	75,420	0.5
Liabilities payable from restricted assets	4,718,438	4,857,143	(138,705)	(2.9)
Other noncurrent liabilities	5,192,543	5,197,070	(4,527)	(0.1)
Long-term debt	<u>161,901,026</u>	<u>175,448,580</u>	<u>(13,547,554)</u>	(7.7)
Total liabilities	<u>188,099,420</u>	<u>201,714,786</u>	<u>(13,615,366)</u>	(6.7)
Net Position				
Net investment in capital assets	185,257,025	180,089,795	5,167,230	2.9
Restricted	488,210	-	488,210	-
Unrestricted	<u>12,620,006</u>	<u>12,914,352</u>	<u>(294,346)</u>	(2.3)
Total net position	<u>\$ 198,365,241</u>	<u>\$193,004,147</u>	<u>\$ 5,361,094</u>	2.8

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

	Year Ended December 31		Increase (Decrease)	Percent Change
	2014	2013		
Revenue from operations	\$ 60,090,633	\$ 52,629,628	\$ 7,461,005	14.2 %
Interest on operating cash and receivables	14,437	22,465	(8,028)	(35.7)
Total revenue	60,105,070	52,652,093	7,452,977	14.2
Sludge disposal charges	1,070,924	906,103	164,821	18.2
Cost of water	16,159,253	14,524,635	1,634,618	11.3
Operating and maintenance	22,973,404	21,963,651	1,009,753	4.6
Administrative and depreciation	11,375,340	11,342,032	33,308	0.3
Total operating expenses	51,578,921	48,736,421	2,842,500	5.8
Other nonoperating expense	(3,165,055)	(4,661,804)	1,496,749	(32.1)
Change in net position - Before capital contributions	5,361,094	(746,132)	6,107,226	(818.5)
Capital contributions	-	223,439	(223,439)	(100.0)
Change in net position	\$ 5,361,094	\$ (522,693)	\$ 5,883,787	(1125.7)

Major Capital Assets and Debt Activity

There were no construction project completions during 2014.

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 the 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.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Financial Review

In analyzing the Genesee County Drain Commissioner Division of Water and Waste Services' financial position, it is important to recognize the mission of the agency, 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 \$1M to approximately \$26.5M.
- Restricted assets decreased by almost \$18.3M mainly due to bond proceeds being expended on the Lake Huron intake project as planned.
- Noncurrent lease receivable increased by over \$28.8M primarily due to the recognition of the capital lease on the Intake between the Division and the KWA.
- Current liabilities were almost constant with the prior year at \$16.3M.
- Combined unrestricted net position decreased by approximately \$300,000.

Statement of Revenue, Expenses, and Changes in Net Assets

- Operating revenue increased by approximately \$7.4M (14.2 percent) in 2014, primarily due to planned sewer rate increases and due to the DWSD water pass through rate increase. Operating expenses increased by 5.8 percent, again primarily due to increases in the cost of water from DWSD.
- Utility costs decreased approximately 2 percent in 2014, in part due to limited wet weather events and recent energy saving investments which have been made.
- Contractual services continued to decline in 2014, decreasing by an additional \$500,000.
- Depreciation increased by approximately \$400,000 due to project completions and the associated CIP having been converted to depreciable assets.

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	
	2013	2014
Total revenue from I&T customers	\$ 22,158,447	\$ 24,356,170
Total flow (thousands of gallons)	10,621,660	10,929,560
Revenue per thousands of gallons treated	\$ 2.09	\$ 2.23

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	
	2013	2014
Total revenue from water sales	\$ 23,471,127	\$ 27,239,220
Volume of water purchased (cu. ft.) by Division	587,285,100	552,806,338
Volume of water sold (cu. ft.) by Division	534,894,463	533,465,081
Water efficiency rate	91.1%	96.5%
Revenue per 100 cu. ft. of water sold	\$ 4.39	\$ 5.11

Contacting the Division's Management

This financial report is intended to provide our constituents, sewer/water users, and bondholders with a general overview of the 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, 2014			Component Unit - Karegnondi Water Authority - September 30, 2014
	Enterprise Fund	Internal Service Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 7,618,296	\$ 515,689	\$ 8,133,985	\$ 3,587,535
Accounts receivable	11,694,287	-	11,694,287	-
Current portion of leases receivable	3,925,000	-	3,925,000	-
Due from other governmental units	2,252,636	-	2,252,636	-
Accrued interest receivable	-	-	-	32,667
Bond proceeds receivable	-	-	-	4,679,146
Inventory	35,715	-	35,715	-
Prepaid expenses and other assets	488,339	-	488,339	-
Total current assets	26,014,273	515,689	26,529,962	8,299,348
Noncurrent assets:				
Restricted cash and cash equivalents (Notes 1 and 3)	5,341,861	-	5,341,861	176,961,787
Leases receivable - Net of current portion (Notes 1 and 10)	42,774,265	-	42,774,265	-
Capital assets (Note 4):				
Assets not subject to depreciation	4,423,576	-	4,423,576	60,169,807
Assets subject to depreciation - Net of depreciation	305,074,240	2,273,047	307,347,287	-
Deposit with pipe supplier	-	-	-	33,960,593
Total noncurrent assets	357,613,942	2,273,047	359,886,989	271,092,187
Total assets	383,628,215	2,788,736	386,416,951	279,391,535
Deferred Outflows of Resources -				
Deferred charge on refunding	47,710	-	47,710	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	4,787,938	4,475	4,792,413	2,808
Current portion of long-term debt (Note 5)	11,495,000	-	11,495,000	-
Total current liabilities	16,282,938	4,475	16,287,413	2,808
Noncurrent liabilities:				
Liabilities related to restricted assets	4,718,438	-	4,718,438	10,600,077
Other postemployment benefit obligation (Note 7)	5,192,543	-	5,192,543	-
Long-term debt - Net of current portion (Note 5)	161,901,026	-	161,901,026	266,921,693
Total noncurrent liabilities	171,812,007	-	171,812,007	277,521,770
Total liabilities	188,094,945	4,475	188,099,420	277,524,578
Equity - Net position				
Net investment in capital assets	182,983,978	2,273,047	185,257,025	(1,750,437)
Restricted	488,210	-	488,210	-
Unrestricted	12,108,792	511,214	12,620,006	3,617,394
Total net position	\$ 195,580,980	\$ 2,784,261	\$ 198,365,241	\$ 1,866,957

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

Genesee County Drain Commissioner

Division of Water and Waste Services

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

	Year Ended December 31, 2014			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2014
	Enterprise Fund	Internal Service Fund	Total	
Operating Revenue				
Charges for sales and service:				
Sale of water	\$ 27,239,220	\$ -	\$ 27,239,220	\$ -
Sewage disposal charges	29,829,614	-	29,829,614	-
Billing services	145,943	-	145,943	-
Water meter sales	88,254	-	88,254	-
Sale of plans	-	-	-	4,915
Sewer and pumping station - Operation and maintenance	1,197,219	-	1,197,219	-
Other operating revenue	1,590,383	-	1,590,383	-
Total operating revenue	60,090,633	-	60,090,633	4,915
Operating Expenses				
Cost of water	16,159,253	-	16,159,253	-
Sludge disposal service	1,070,924	-	1,070,924	-
Cost of insurance claims and expenses	353,892	-	353,892	-
Repairs and maintenance	1,939,120	-	1,939,120	-
Personnel services	15,799,509	-	15,799,509	-
Other supplies and expenses	1,380,670	79,008	1,459,678	-
Contractual services	2,208,801	-	2,208,801	-
Utilities	3,775,097	-	3,775,097	-
Office supplies and insurance	-	-	-	6,112
Professional services	-	-	-	132,981
Depreciation	8,392,902	419,745	8,812,647	-
Total operating expenses	51,080,168	498,753	51,578,921	139,093
Operating Income (Loss)	9,010,465	(498,753)	8,511,712	(134,178)
Nonoperating Revenue (Expenses)				
Community bond interest income	2,350,531	-	2,350,531	-
Community bond interest expense	(2,350,531)	-	(2,350,531)	-
Miscellaneous income	1,292,782	-	1,292,782	-
Water supply operating subsidy	-	-	-	3,714,500
Interest expense	(4,137,321)	-	(4,137,321)	(137,044)
Bond issuance costs	(366,982)	-	(366,982)	(1,717,769)
Investment income	14,437	-	14,437	141,448
Gain on sale of assets	8,500	37,966	46,466	-
Total nonoperating (expense) revenue	(3,188,584)	37,966	(3,150,618)	2,001,135
Income (Loss) - Before capital contributions	5,821,881	(460,787)	5,361,094	1,866,957
Capital Contributions	-	-	-	-
Increase (Decrease) in Net Position	5,821,881	(460,787)	5,361,094	1,866,957
Net Position - Beginning of year (as restated - Note 10)	189,759,099	3,245,048	193,004,147	-
Net Position - End of year	\$ 195,580,980	\$ 2,784,261	\$ 198,365,241	\$ 1,866,957

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types

	Year Ended December 31, 2014			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2014
	Enterprise Fund	Internal Service Fund	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 58,756,007	\$ -	\$ 58,756,007	\$ 4,915
Payments to suppliers and others for goods and services	(26,139,648)	(188,695)	(26,328,343)	(136,285)
Payments for salaries and employee benefits	(15,657,271)	-	(15,657,271)	-
Net cash provided by (used in) operating activities	16,959,088	(188,695)	16,770,393	(131,370)
Cash Flows from Noncapital Financing Activities -				
Water supply contract operating subsidy	-	-	-	3,714,500
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(6,126,217)	(213,947)	(6,340,164)	(19,779,771)
Collection of interest from communities and C.U. (KWA)	584,016	-	584,016	-
Community and C.U. (KWA) interest expense	(2,396,227)	-	(2,396,227)	-
Proceeds from sale of capital assets	-	37,966	37,966	-
Collections of leases receivable from municipalities	2,885,000	-	2,885,000	-
Proceeds from issuance of bonded debt	30,285,000	-	30,285,000	232,315,544
Principal paid on bond maturities	(11,635,000)	-	(11,635,000)	-
Amounts paid to escrow agents to refund debt	(31,365,000)	-	(31,365,000)	-
Establish capital lease for project costs	(25,540,858)	-	(25,540,858)	-
Interest paid on bonds and other long-term liabilities	(4,392,147)	-	(4,392,147)	-
Miscellaneous revenue	1,170,623	-	1,170,623	-
Deposit with pipe supplier	-	-	-	(33,960,593)
Bond issuance costs	-	-	-	(1,717,769)
Payment received on loan to C.U. (KWA)	5,000,000	-	5,000,000	-
Premium proceeds on bonded debt and bond issuance costs	1,075,738	-	1,075,738	-
Project cost reimbursement from C.U. (KWA)	7,160,391	-	7,160,391	-
Net cash (used in) provided by capital and related financing activities	(33,294,681)	(175,981)	(33,470,662)	176,857,411
Cash Flows from Investing Activities				
Investment income	14,287	-	14,287	108,781
Purchase of investment securities	-	-	-	(163,553,205)
Net cash (used in) provided by investing activities	14,287	-	14,287	(163,444,424)
Net (Decrease) Increase in Cash and Cash Equivalents	(16,321,156)	(364,676)	(16,685,832)	16,996,117
Cash and Cash Equivalents - Beginning of year	29,281,313	880,365	30,161,678	-
Cash and Cash Equivalents - End of year	\$ 12,960,157	\$ 515,689	\$ 13,475,846	\$ 16,996,117
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 7,618,296	\$ 515,689	\$ 8,133,985	\$ 3,587,535
Restricted cash and cash equivalents	5,341,861	-	5,341,861	176,961,787
Less amounts classified as investments	-	-	-	(163,553,205)
Total cash and cash equivalents	\$ 12,960,157	\$ 515,689	\$ 13,475,846	\$ 16,996,117

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types (Continued)

	December 31, 2014			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2014
	Enterprise Fund	Internal Service Fund	Total	
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 9,010,465	\$ (498,753)	\$ 8,511,712	\$ (134,178)
Depreciation	8,392,901	419,745	8,812,646	-
Changes in assets and liabilities:				
Receivables	(1,325,639)	-	(1,325,639)	-
Inventories	4,904	-	4,904	-
Prepaid and other assets	(4,574)	(109,687)	(114,261)	-
Accounts payable	134,432	-	134,432	2,808
C.U. (KWA) related transactions	746,599	-	746,599	-
Net cash provided by (used in) operating activities	<u>\$ 16,959,088</u>	<u>\$ (188,695)</u>	<u>\$ 16,770,393</u>	<u>\$ (131,370)</u>

Noncash Activity

District No. 3 - Noncash activity during the year includes bond refunding done by a participating community which resulted in a decrease in debt and lease receivable of \$2,525,000.

The Water Supply Systems include noncash activity related to the C.U. (KWA) capital lease receivable. In 2014, the entire capital lease receivable of \$35,000,000 was recognized in the statement of net position (see Note 10 for details). The noncash portion of this receivable relates to \$8,689,476 of construction costs incurred in 2013 and \$3,414,583 to be incurred in 2015. Additionally, the Water Supply Systems recorded the related interest receivable on the KWA capital lease in 2014 for \$2,144,729. The noncash portion of this receivable relates to \$332,268 of interest costs incurred in 2013 and still outstanding in 2014.

Genesee County Drain Commissioner Division of Water and Waste Services

**Notes to Financial Statements
December 31, 2014**

Note I - 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 the Genesee County Drain Commissioner Division of Water and Waste Services:

Reporting Entity

The 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, 2014

Note I - 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 revenues 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, 2014

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, 2014

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.

Inventories and Prepaid Items - Inventories consist primarily of water meters and grinder pumps, valued at cost, using the first-in, first-out method. The cost of supply inventory is recorded as an expense when consumed rather than when purchased. 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, 2014

Note 1 - 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. During the current year, none of the interest expense was capitalized as part of the cost of assets under construction.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 government has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the statement of net position. 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note I - Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statement of financial 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 not reported any item that qualifies for reporting in this category.

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.

Pension and Other Postemployment Benefit Costs - The Division offers both pension and retiree health care benefits to retirees. The Division receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligations over the remaining amortization period. For the government-wide statements and proprietary funds, the Division reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

The Division is responsible for 100 percent of the cost of postemployment benefits and advance funds. In 2014, the total number of eligible retirees amounted to 92 and postemployment benefits for retired employees were \$1,478,425.

Compensated Absences (Vacation and Sick Leave) - The Division's employees are granted vacation leave twice a year based on length of service. Eighty 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 non-union 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, 2014, the Division has recorded a liability of approximately \$423,000 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - 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 one bank 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.

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note 2 - Deposits and Investments (Continued)

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 \$10,062,884 of bank deposits (certificates of deposit, 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 \$120,000,000 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.

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

Investment	Fair Value	Weighted Average Maturity (Years)
Component Unit (KWA)		
Repurchase Agreement	<u>\$ 120,000,000</u>	0.71

Concentration of Credit Risk - The Division places no limit on the amount it may invest in any one issuer. More than 73 percent of KWA's investments are in a repurchase agreement with Duetche Bank; these investments are 73 percent of KWA's total investments.

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

**Notes to Financial Statements
December 31, 2014**

Note 3 - 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	\$ 4,814,673	\$ 133,237,608
County deposits	-	100,000
General obligation bond restrictions:		
Debt reserve	-	15,341,815
Debt retirement	<u>527,188</u>	<u>28,282,364</u>
Total restricted assets	<u>\$ 5,341,861</u>	<u>\$ 176,961,787</u>

Total restricted cash in the Water Supply System Fund of \$4,814,673 related to unspent bond proceeds. Restricted cash of \$527,188 in District No. 3 related to restriction by bond ordinance. The liabilities payable from restricted assets include construction accounts payable in the amount of \$4,679,374 which will be paid from the unspent bond proceeds and accrued interest payable of \$38,978 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, 2014

Note 4 - Capital Assets

Capital asset activity of the Division's proprietary fund type at December 31, 2014 was as follows:

	Balance January 1, 2014	Additions	Disposals	Balance December 31, 2014
Enterprise Fund:				
Capital assets not being depreciated:				
Land	\$ 2,386,816	\$ 591,203	\$ (664,822)	\$ 2,313,197
Construction in progress	17,198,465	1,561,702	(16,649,788)	2,110,379
Subtotal	19,585,281	2,152,905	(17,314,610)	4,423,576
Capital assets being depreciated:				
Distribution and collections system	362,654,451	3,987,701	-	366,642,152
Buildings and equipment	13,343,508	42,073	(56,990)	13,328,591
Vehicles	642,429	197,313	(22,650)	817,092
Subtotal	376,640,388	4,227,087	(79,640)	380,787,835
Accumulated depreciation:				
Distribution and collections system	(62,499,456)	(7,691,919)	-	(70,191,375)
Buildings and equipment	(4,391,752)	(627,329)	56,990	(4,962,091)
Vehicles	(509,125)	(73,654)	22,650	(560,129)
Subtotal	(67,400,333)	(8,392,902)	79,640	(75,713,595)
Net capital assets being depreciated	309,240,055	(4,165,815)	-	305,074,240
Net capital assets	<u>\$ 328,825,336</u>	<u>\$ (2,012,910)</u>	<u>\$ (17,314,610)</u>	<u>\$ 309,497,816</u>
Internal Service Funds:				
Capital assets being depreciated - Buildings and equipment				
	\$ 8,774,513	\$ 213,951	\$ (250,542)	\$ 8,737,922
Accumulated depreciation - Buildings and improvements				
	(6,295,668)	(419,745)	250,538	(6,464,875)
Net capital assets	<u>\$ 2,478,845</u>	<u>\$ (205,794)</u>	<u>\$ (4)</u>	<u>\$ 2,273,047</u>
Total proprietary funds capital assets	<u>\$ 331,304,181</u>	<u>\$ (2,218,704)</u>	<u>\$ (17,314,614)</u>	<u>\$ 311,770,863</u>
Component unit - KWA:				
Capital assets not being depreciated -				
Construction in progress	\$ -	\$ 60,169,807	\$ -	\$ 60,169,807

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2014

Note 4 - 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 \$38,753,017 to date and has \$5,949,107 remaining on the contract.

The component unit, KWA, had the water pipeline project in progress during the year. At year end, it spent \$28,443,815 and had \$205,515,229 remaining on the contract.

Note 5 - 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 Division. 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, 2014 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	\$ 90,651,023	\$ -	\$ (6,425,000)	\$ 84,226,023	\$ 6,560,000
District No. 3	2	2.50%-4.50%	2030	5,875,000	-	(295,000)	5,580,000	310,000
Water supply system	6	2.50%-5.375%	2038	72,675,000	30,285,000	(33,395,000)	69,565,000	2,185,000
Subtotal				169,201,023	30,285,000	(40,115,000)	159,371,023	9,055,000
Community-related bonds payable:								
Interceptor and treatment facilities	2	4.00%-4.35%	2026	4,470,000	-	(410,000)	4,060,000	430,000
District No. 3	6	2.50%-7.375%	2019	11,780,000	-	(4,960,000)	6,820,000	1,970,000
Water supply system	1	2.50	2031	859,265	-	(40,000)	819,265	40,000
Subtotal				17,109,265	-	(5,410,000)	11,699,265	2,440,000
Total bonds payable				\$ 186,310,288	\$ 30,285,000	\$ (45,525,000)	\$ 171,070,288	\$ 11,495,000

	Beginning Balance October 1, 2013	Additions	Reductions	Ending Balance September 30, 2014	Due Within One Year
Component Unit Activities					
Bonds	\$ -	\$ 220,500,000	\$ -	\$ 220,500,000	\$ -
Capital lease	-	35,000,000	-	35,000,000	-
Total component unit activities	\$ -	\$ 255,500,000	\$ -	\$ 255,500,000	\$ -

* Long-term debt balance for the Division excludes premium of \$2,325,735 and \$973,292 at December 31, 2014 and 2013, respectively. These amounts are properly included with the debt balance in the statement of net position. Long-term debt balance for the component unit excludes premium of \$11,421,693 at September 30, 2014. These amounts are properly included with the debt balance in the statement of net position.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2014

Note 5 - Long-term Debt (Continued)

Total interest expense for Division for the year was \$6,554,331. Total interest expense for KWA for the year was \$5,166,333, of which \$5,033,414 (interest expense net of interest income) was capitalized.

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

Years Ending December 31	Business-type Activities			Component Unit Activities - KWA		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 11,495,000	\$ 6,062,500	\$ 17,557,500	\$ -	\$ 11,591,133	\$ 11,591,133
2016	11,470,000	5,725,138	17,195,138	-	11,127,488	11,127,488
2017	10,720,000	5,403,932	16,123,932	2,052,500	11,127,488	13,179,988
2018	9,965,000	5,090,993	15,055,993	4,190,000	11,044,863	15,234,863
2019	9,680,000	4,776,669	14,456,669	4,375,000	10,861,863	15,236,863
2020-2024	46,835,000	19,406,204	66,241,204	24,960,000	51,213,440	76,173,440
2025-2029	44,070,000	11,037,013	55,107,013	31,715,000	44,461,015	76,176,015
2030-2034	17,950,288	4,566,242	22,516,530	40,847,500	35,328,132	76,175,632
2035-2039	8,885,000	1,225,231	10,110,231	52,425,000	23,752,782	76,177,782
2040-2044	-	-	-	59,935,000	8,624,869	68,559,869
Total	\$ 171,070,288	\$ 63,293,922	\$ 234,364,210	\$ 220,500,000	\$ 219,133,073	\$ 439,633,073

Current Refundings - During the year, the Division issued \$30,285,000 in revenue refunding bonds with an effective interest rate of 3.8 percent. The bond issued included a bond premium of \$1,615,531. The proceeds of these bonds were used to refund \$2,925,000 of outstanding Series 2003 Water Supply System Revenue Bonds with an average interest rate of 3.4 percent, \$15,420,000 of outstanding Series 2003B Water Supply System Revenue Bonds with an average interest rate of 4.5 percent, and \$13,020,000 of outstanding Series 2004 Water Supply System Revenue Bonds with an average interest rate of 4.0 percent. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Enterprise Funds liabilities. The refunding reduced total debt service payments over the next 20 years by \$3,387,005, which represents an economic gain of \$2,664,841.

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 \$157,425,611. During the current year, net revenue of the system was \$17,403,367 compared to the annual debt requirements of \$8,925,564.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note 6 - Defined Benefit Pension Plan

Plan Description - The Division participates in the Genesee County Employees' Retirement System (GCERS), which is a contributory agent multiple-employer defined benefit plan for pension and disability benefits that covers substantially all employees of Genesee County. Each employer has the ability to negotiate and/or establish benefits through personal policies. The authority to establish and amend the benefit provisions of the plan is governed by Act No. 156, Public Acts of 1851, as amended by the State of Michigan. GCERS issues a publicly available financial report that includes financial statements and required supplemental information for the Division. That report may be obtained by writing to Genesee County Employees' Retirement System, 1101 Beach, Flint, MI 48502 or by calling 1-800-949-2627.

Funding Policy - The County's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost is determined using an attained age actuarial funding method.

Annual Pension Cost - For the year ended December 31, 2014, the Division's annual pension cost of \$1,491,452 for the plan was equal to the Division's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.0 percent investment rate of return and (b) projected salary increases of 3.0 percent to 7.03 percent per year, compounded annually. Both (a) and (b) include an inflation component of 3.00 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 25 years.

The Division received the actuarial valuation dated December 31, 2014. There were no changes to significant assumptions used from the valuation dated December 31, 2013.

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

**Notes to Financial Statements
December 31, 2014**

Note 6 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended December 31		
	2014	2013	2012
Annual pension cost (APC)	\$ 1,491,452	\$ 1,456,416	\$ 1,531,645
Percentage of APC contributed	100.0 %	100.0 %	100.0 %

	Fiscal Year Ended December 31		
	2014	2013	2012
Actuarial value of assets	\$ 40,046,225	\$ 37,640,682	\$ 35,276,770
Actuarial accrued liability (AAL)			
(entry age)	\$ 52,930,038	\$ 52,678,805	\$ 51,685,692
Unfunded AAL (UAAL)	\$ 12,883,813	\$ 15,038,123	\$ 16,408,922
Funded ratio	75.7 %	71.5 %	68.3 %
Covered payroll	\$ 7,331,367	\$ 7,199,930	\$ 7,050,579
UAAL as a percentage of covered payroll	175.7 %	208.9 %	232.7 %

Note 7 - 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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note 7 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended December 31, 2014, the Division has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2013. 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)	\$ 3,554,246
Interest on the prior year's net OPEB obligation	311,824
Less adjustment to the annual required contribution	<u>(127,980)</u>
Annual OPEB cost	3,738,090
Amounts contributed:	
Payments of current premiums	(1,522,617)
Advance funding	<u>(2,220,000)</u>
Total contributions	<u>(3,742,617)</u>
Decrease in net OPEB obligation	(4,527)
OPEB obligation - Beginning of year	<u>5,197,070</u>
OPEB obligation - End of year	<u>\$ 5,192,543</u>

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

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/12	\$ 3,947,250	101.94 %	\$ 5,676,066
12/31/13	2,723,912	117.60	5,197,070
12/31/14	3,738,090	100.10	5,192,543

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note 7 - Other Postemployment Benefits (Continued)

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
12/31/08	\$ -	\$ 35,394,879	\$ 35,394,879	- %	\$ 8,420,060	420.36 %
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

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

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.

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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note 7 - Other Postemployment Benefits (Continued)

In the December 31, 2013 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 6.0 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 2013, 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 8 - 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:

	<u>2014</u>	<u>2013</u>
Unpaid claims - Beginning of year	\$ 471,398	\$ 460,040
Incurred claims, including claims incurred but not reported	2,329,699	2,855,944
Claim payments	<u>(2,315,743)</u>	<u>(2,844,586)</u>
Unpaid claims - End of year	<u>\$ 485,354</u>	<u>\$ 471,398</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2014

Note 9 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide and proprietary statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. 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 financial statements for the year ending December 31, 2015.

Note 10 - 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.

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.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2014

Note 10 - Related Party Transactions (Continued)

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:

2015	\$	2,529,423
2016		2,526,837
2017		2,527,388
2018		2,527,188
2019		2,527,588
2020-2024		12,636,337
2025-2029		12,639,975
2030-2034		12,632,175
2035-2039		<u>12,637,343</u>
Total minimum lease payments		63,184,254
Less amount representing interest		<u>(28,184,254)</u>
Present value	\$	<u>35,000,000</u>

Note 11 - Subsequent Events

In April 2015, the Division issued limited tax general obligation bonds in the amount of \$60,000,000. These are revenue bonds and are secured first by the revenues of the water system and additional security on the bonds in the County's tax base. The proceeds from the issue will be used to construct a water treatment facility.

Required Supplemental Information

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

**Required Supplemental Information
Pension Schedule of Funding Progress
Year Ended December 31, 2014**

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
12/31/12	\$ 35,276,770	\$ 51,685,692	\$ 16,408,922	68.3	\$ 7,050,579	232.7
12/31/13	37,640,682	52,678,805	15,038,123	71.5	7,199,930	208.9
12/31/14	40,046,225	52,930,038	12,883,813	75.7	7,331,367	175.7

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2014, the latest actuarial valuation, follows:

Amortization method	Level percent of payroll, open
Amortization period (perpetual)	25 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases	3.00% - 7.03%
*Includes inflation at	3.00%
Cost of living adjustments	Yes, depending on Benefit Group

**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, 2014**

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
12/31/10	\$ -	\$ 51,474,408	\$ 51,474,408	-	\$ 7,610,890	676.3
9/30/12	2,333,369	37,819,976	35,486,607	6.2	7,312,770	485.3
12/31/13	4,580,978	52,626,256	48,045,278	8.7	7,092,691	677.4

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2014, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	6.0%
Medical inflation rate	8.0%

Supplemental Information

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Net Position (Divisional Detail) Enterprise Fund

	December 31, 2014					December 31,
	Sewage Disposal Systems					2013
	Interceptor and Treatment Facilities	District No. 3	District No. 7	Water Supply Systems	Total	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 3,041,578	\$ 859,442	\$ 347,793	\$ 3,369,483	\$ 7,618,296	\$ 5,539,678
Accounts receivable	5,978,205	855,416	202,984	4,657,682	11,694,287	10,429,173
Current portion of leases receivable	430,000	1,970,000	-	1,525,000	3,925,000	3,085,000
Due from other governmental units	28,199	74,588	-	2,149,849	2,252,636	5,154,003
Inventory	-	-	-	35,715	35,715	40,619
Prepaid expenses and other assets	234,154	34,598	4,976	214,611	488,339	483,765
Total current assets	9,712,136	3,794,044	555,753	11,952,340	26,014,273	24,732,238
Noncurrent assets:						
Restricted cash and cash equivalents	-	527,188	-	4,814,673	5,341,861	23,741,635
Leases receivable - Net of current portion	3,630,000	4,850,000	-	34,294,265	42,774,265	14,024,265
Capital assets:						
Assets not subject to depreciation	960,230	966,077	-	2,497,269	4,423,576	19,585,281
Assets subject to depreciation - Net of depreciation	213,798,404	26,907,267	428,464	63,940,105	305,074,240	309,240,055
Total noncurrent assets	218,388,634	33,250,532	428,464	105,546,312	357,613,942	366,591,236
Total assets	228,100,770	37,044,576	984,217	117,498,652	383,628,215	391,323,474
Deferred Outflows of Resources -						
Deferred charge on refunding	27,186	-	-	20,524	47,710	36,249
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	1,738,807	336,160	32,940	2,680,031	4,787,938	4,579,367
Unearned revenue	-	-	-	-	-	4,642
Due to other governmental units	-	-	-	-	-	150
Current portion of long-term debt	6,990,000	2,280,000	-	2,225,000	11,495,000	11,835,000
Total current liabilities	8,728,807	2,616,160	32,940	4,905,031	16,282,938	16,419,159
Noncurrent liabilities:						
Liabilities related to restricted assets	-	38,978	-	4,679,460	4,718,438	4,898,068
Other postemployment benefit obligation	3,200,221	504,260	85,101	1,402,961	5,192,543	5,197,070
Long-term debt - Net of current portion	81,447,973	10,140,762	-	70,312,291	161,901,026	175,448,580
Total noncurrent liabilities	84,648,194	10,684,000	85,101	76,394,712	171,812,007	185,543,718
Total liabilities	93,377,001	13,300,160	118,041	81,299,743	188,094,945	201,962,877
Equity - Net position						
Net investment in capital assets	130,407,847	22,272,582	428,464	29,875,085	182,983,978	177,610,950
Restricted for debt service	-	488,210	-	-	488,210	-
Unrestricted	4,343,108	983,624	437,712	6,344,348	12,108,792	12,148,149
Total net position	\$ 134,750,955	\$ 23,744,416	\$ 866,176	\$ 36,219,433	\$ 195,580,980	\$ 189,759,099

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, 2014				Year Ended December 31, 2013	
	Sewage Disposal Systems			Water Supply Systems	Total	Total
	Interceptor and Treatment Facilities	District No. 3	District No. 7			
Operating Revenue						
Charges for sales and service:						
Sale of water	\$ -	\$ -	\$ -	\$ 27,239,220	\$ 27,239,220	\$ 23,471,127
Sewage disposal charges	24,350,901	4,543,332	935,381	-	29,829,614	26,501,140
Billing services	145,943	-	-	-	145,943	141,347
Water meter sales	-	-	-	88,254	88,254	39,242
Sewer and pumping station - Operation and maintenance	1,197,219	-	-	-	1,197,219	1,197,219
Other operating revenue	510,690	231,267	2,236	846,190	1,590,383	1,279,553
Total operating revenue	26,204,753	4,774,599	937,617	28,173,664	60,090,633	52,629,628
Operating Expenses						
Cost of water	-	-	-	16,159,253	16,159,253	14,524,635
Sludge disposal service	805,021	265,903	-	-	1,070,924	906,103
Cost of insurance claims and expenses	151,737	34,274	5,821	162,060	353,892	301,601
Repairs and maintenance	958,933	340,407	185,932	453,848	1,939,120	1,712,513
Personnel services	9,164,428	1,700,484	307,110	4,627,487	15,799,509	14,911,701
Other supplies and expenses	956,441	119,066	31,940	273,223	1,380,670	1,366,463
Contractual services	820,213	176,889	6,648	1,205,051	2,208,801	2,699,483
Utilities	2,578,065	478,870	171,666	546,496	3,775,097	3,866,215
Depreciation	5,591,213	750,268	25,995	2,025,426	8,392,902	7,951,219
Total operating expenses	21,026,051	3,866,161	735,112	25,452,844	51,080,168	48,239,933
Operating Income	5,178,702	908,438	202,505	2,720,820	9,010,465	4,389,695
Nonoperating Revenue (Expenses)						
Community bond interest income	176,242	341,096	-	1,833,193	2,350,531	1,073,087
Community bond interest expense	(176,242)	(341,096)	-	(1,833,193)	(2,350,531)	(1,073,087)
Miscellaneous income	534,013	181,637	21	577,111	1,292,782	318,163
Bond issuance costs	-	-	-	(366,982)	(366,982)	(544,179)
Interest expense	(2,311,206)	(225,818)	-	(1,600,297)	(4,137,321)	(4,444,956)
Investment (expense) income	(71)	188	33	14,287	14,437	28,133
Gain on sale of assets	-	-	-	8,500	8,500	-
Total nonoperating (expense) revenue	(1,777,264)	(43,993)	54	(1,367,381)	(3,188,584)	(4,642,839)
Income (Loss) - Before capital contributions	3,401,438	864,445	202,559	1,353,439	5,821,881	(253,144)
Capital Contributions	-	-	-	-	-	223,439
Increase (Decrease) in Net Position	3,401,438	864,445	202,559	1,353,439	5,821,881	(29,705)
Net Position - Beginning of year (as restated)	131,349,517	22,879,971	663,617	34,865,994	189,759,099	189,788,804
Net Position - End of year	<u>\$ 134,750,955</u>	<u>\$ 23,744,416</u>	<u>\$ 866,176</u>	<u>\$ 36,219,433</u>	<u>\$ 195,580,980</u>	<u>\$ 189,759,099</u>

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows (Divisional Detail) - Enterprise Fund

	Year Ended December 31, 2014					Year Ended December 31, 2013
	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	\$ 25,533,627	\$ 4,720,224	\$ 1,036,491	\$ 27,465,665	\$ 58,756,007	\$ 46,176,624
Payments to suppliers and others for goods and services	(6,543,258)	(1,490,428)	(412,436)	(17,693,526)	(26,139,648)	(21,716,680)
Payments for salaries and employee benefits	(9,131,818)	(1,561,583)	(308,480)	(4,655,390)	(15,657,271)	(15,271,235)
Net cash provided by operating activities	9,858,551	1,668,213	315,575	5,116,749	16,959,088	9,188,709
Cash Flows from Capital and Related Financing Activities						
Purchases of capital assets	(285,510)	(164,781)	(42,052)	(5,633,874)	(6,126,217)	(16,253,419)
Collection of interest from communities and C.U. (KWA)	179,017	384,017	-	20,982	584,016	1,073,087
Community and C.U. (KWA) interest expense	(179,017)	(384,017)	-	(1,833,193)	(2,396,227)	(1,073,087)
Collection of leases receivable from municipalities	410,000	2,435,000	-	40,000	2,885,000	11,590,000
Proceeds from issuance of refunding bonds	-	-	-	30,285,000	30,285,000	35,037,924
Principal paid on bond maturities	(6,835,000)	(2,730,000)	-	(2,070,000)	(11,635,000)	(18,981,419)
Interest paid on bonds	(2,376,091)	(229,441)	-	(1,786,615)	(4,392,147)	(4,439,288)
Miscellaneous revenue	542,363	-	-	628,260	1,170,623	318,163
Premium proceeds on bonded debt and bond issuance costs	-	-	-	1,075,738	1,075,738	-
Project cost reimbursement from C.U. (KWA)	-	-	-	7,160,391	7,160,391	-
Establish capital lease for project costs paid in current year	-	-	-	(25,540,858)	(25,540,858)	-
Amounts paid to escrow agents to refund debt	-	-	-	(31,365,000)	(31,365,000)	-
Payment received on loan to C.U. (KWA)	-	-	-	5,000,000	5,000,000	-
Net cash (used in) provided by capital and related financing activities	(8,544,238)	(689,222)	(42,052)	(24,019,169)	(33,294,681)	7,271,961
Cash Flows from Investing Activities - Investment income	(71)	188	33	14,287	14,437	23,828
Net Increase (Decrease) in Cash and Cash Equivalents	1,314,242	979,179	273,556	(18,888,133)	(16,321,156)	16,484,498
Cash and Cash Equivalents - Beginning of year	1,727,336	407,451	74,237	27,072,289	29,281,313	12,796,815
Cash and Cash Equivalents - End of year	<u>\$ 3,041,578</u>	<u>\$ 1,386,630</u>	<u>\$ 347,793</u>	<u>\$ 8,184,156</u>	<u>\$ 12,960,157</u>	<u>\$ 29,281,313</u>
Balance Sheet Classification of Cash and Cash Equivalents						
Cash and investments	\$ 3,041,578	\$ 859,442	\$ 347,793	\$ 3,369,483	\$ 7,618,296	\$ 5,539,678
Restricted cash and cash equivalents	-	527,188	-	4,814,673	5,341,861	23,741,635
Total cash and cash equivalents	<u>\$ 3,041,578</u>	<u>\$ 1,386,630</u>	<u>\$ 347,793</u>	<u>\$ 8,184,156</u>	<u>\$ 12,960,157</u>	<u>\$ 29,281,313</u>

Genesee County Drain Commissioner Division of Water and Waste Services

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

	Year Ended December 31, 2014					Year Ended December 31, 2013
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities						
Operating income	\$ 5,178,702	\$ 908,438	\$ 202,505	\$ 2,720,820	\$ 9,010,465	\$ 4,389,695
Depreciation	5,591,213	750,267	25,995	2,025,426	8,392,901	7,951,219
Changes in assets and liabilities:						
Receivables	(666,806)	(53,745)	98,951	(704,039)	(1,325,639)	(1,257,538)
Inventories	-	-	-	4,904	4,904	35,006
Prepaid and other assets	(1,940)	(736)	(138)	(1,760)	(4,574)	222,752
Accounts payable and accrued expenses	(242,618)	63,989	(11,738)	324,799	134,432	2,886,541
C.U. (KWA) related transactions	-	-	-	746,599	746,599	(5,038,966)
Net cash provided by operating activities	<u>\$ 9,858,551</u>	<u>\$ 1,668,213</u>	<u>\$ 315,575</u>	<u>\$ 5,116,749</u>	<u>\$ 16,959,088</u>	<u>\$ 9,188,709</u>

Noncash Activity

District No. 3 - Noncash activity during the year includes bond refunding done by a participating community which resulted in a decrease in debt and lease receivable of \$2,525,000.

The Water Supply Systems include noncash activity related to the C.U. (KWA) capital lease receivable. In 2014, the entire capital lease receivable of \$35,000,000 was recognized in the statement of net position (see Note 10 for details). The noncash portion of this receivable relates to \$8,689,476 of construction costs incurred in 2013 and \$3,414,583 to be incurred in 2015. Additionally, the Water Supply Systems recorded the related interest receivable on the KWA capital lease in 2014 for \$2,144,729. The noncash portion of this receivable relates to \$332,268 of interest costs incurred in 2013 and still outstanding in 2014.

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

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

	December 31, 2014	December 31, 2013
Assets		
Current assets - Cash and cash equivalents	\$ 515,689	\$ 880,365
Noncurrent assets - Capital assets - Assets subject to depreciation - Net of depreciation	<u>2,273,047</u>	<u>2,478,845</u>
Total assets	2,788,736	3,359,210
Liabilities - Current liabilities - Accounts payable and accrued expenses	<u>4,475</u>	<u>114,162</u>
Equity - Net position		
Net investment in capital assets	2,273,047	2,478,845
Unrestricted	<u>511,214</u>	<u>766,203</u>
Total net position	<u>\$ 2,784,261</u>	<u>\$ 3,245,048</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

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

	Year Ended December 31	
	2014	December 31, 2013
Operating Expenses		
Other supplies and expenses	\$ 79,008	106,759
Depreciation	419,745	389,729
Total operating expenses	<u>498,753</u>	<u>496,488</u>
Operating Loss	(498,753)	(496,488)
Nonoperating Revenue - Gain on sale of assets	<u>37,966</u>	<u>3,500</u>
Decrease in Net Position	(460,787)	(492,988)
Net Position - Beginning of year	<u>3,245,048</u>	<u>3,738,036</u>
Net Position - End of year	<u>\$ 2,784,261</u>	<u>\$ 3,245,048</u>

Genesee County Drain Commissioner Division of Water and Waste Services

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

	Year Ended December 31	
	2014	2013
Cash Flows from Operating Activities -		
Payments to suppliers and others for goods and services	\$ (188,695)	\$ (1,150)
Cash Flows from Capital and Related Financing Activities		
Proceeds from sales of capital assets	37,966	3,500
Purchase of capital assets	(213,947)	(261,567)
Net cash used in capital and related financing activities	(175,981)	(258,067)
Net Decrease in Cash and Cash Equivalents	(364,676)	(259,217)
Cash and Cash Equivalents - Beginning of year	880,365	1,139,582
Cash and Cash Equivalents - End of year	\$ 515,689	\$ 880,365
Balance Sheet Classification of Cash and Cash Equivalents	\$ 515,689	\$ 880,365
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (498,753)	\$ (496,488)
Depreciation	419,745	389,729
Changes in assets and liabilities - Accounts payable, accrued expenses, and deferred revenue	(109,687)	105,609
Net cash used in operating activities	\$ (188,695)	\$ (1,150)

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding		Retired During the Year	Principal Outstanding		2015		2016	
	January 1, 2014	Issued During the Year		December 31, 2014					
					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%	\$ 2,585,000	\$ -	\$ (480,000)	\$ 2,105,000	\$ 495,000	\$ 93,488	\$ 515,000	\$ 72,450	
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 May 2007. Due in amounts ranging from \$950,000 to \$1,285,000 through 2026 with interest rate of 1.625%	15,210,000	-	(1,060,000)	14,150,000	1,080,000	229,938.00	1,095,000	212,388.00	
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 May 2007. Due in amounts ranging from \$660,000 to \$900,000 through 2026 with interest rate of 1.625%	10,640,000	-	(740,000)	9,900,000	755,000	154,741.00	765,000	142,391.00	
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 October 2007. Due in amounts ranging from \$120,000 to \$165,000 through 2027 with interest rate of 1.625%	2,065,000	-	(130,000)	1,935,000	135,000	31,444.00	135,000	29,250.00	
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 July 2008. Due in amounts ranging from \$330,000 to \$445,000 through 2027 with interest rate of 1.625%	5,650,000	-	(365,000)	5,285,000	370,000	85,881.00	375,000	79,869.00	
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 January 2008. Due in amounts ranging from \$185,000 to \$250,000 through 2027 with interest rate of 1.625%	3,175,000	-	(205,000)	2,970,000	205,000	48,263.00	210,000	44,931.00	
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 interest rate of 1.625%	8,180,000	-	(485,000)	7,695,000	495,000	121,022.00	500,000	112,938.00	

Summary of Bonds Payable Year Ended December 31, 2014

2017		2018		2019		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 535,000	\$ 49,275	\$ 560,000	\$ 25,200	\$ -	\$ -	\$ -	\$ -	2,105,000	240,413
1,115,000	194,594	1,130,000	176,475	1,150,000	158,113	8,580,000	566,557	14,150,000	1,538,065
780,000	129,838	790,000	117,081	805,000	104,122	6,005,000	347,872	9,900,000	996,045
140,000	27,056	140,000	24,781	145,000	22,506	1,240,000	92,462	1,935,000	227,499
380,000	73,775	385,000	67,600	395,000	61,344	3,380,000	251,793	5,285,000	620,262
215,000	41,519	215,000	38,025	220,000	34,531	1,905,000	141,944	2,970,000	349,213
510,000	104,731	520,000	96,363	525,000	87,872	5,145,000	385,247	7,695,000	908,173

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding		Retired During the Year	Principal Outstanding		2015		2016	
	January 1, 2014	Issued During the Year		December 31, 2014	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%									
	\$ 6,665,000	\$ -	\$ (310,000)	\$ 6,355,000	\$ 325,000	\$ 265,378	\$ 340,000	\$ 252,378	
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%									
	13,075,000	-	(525,000)	12,550,000	525,000	577,688.00	600,000	561,281.00	
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 May 2013. Due in amounts ranging from \$569,000 to \$861,023 through 2030 with interest rate of 2.50%									
	12,286,023	-	(600,000)	11,686,023	615,000	292,151.00	615,000	276,776.00	
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 interest rate of 2.50%									
	1,330,000	-	(60,000)	1,270,000	60,000	31,750	60,000	30,250	
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	-	201,500.00	180,000	198,800.00	
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%									
	4,965,000	-	(1,465,000)	3,500,000	1,500,000	57,500.00	1,000,000	32,500.00	
Total Genesee County Drain Commission bonds payable	90,651,023	-	(6,425,000)	84,226,023	6,560,000	2,190,744	6,390,000	2,046,202	

Summary of Bonds Payable (Continued) Year Ended December 31, 2014

2017		2018		2019		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 360,000	\$ 238,778	\$ 375,000	\$ 224,378	\$ 395,000	\$ 209,378	\$ 4,560,000	\$ 1,045,479	\$ 6,355,000	\$ 2,235,769
625,000	541,031	675,000	519,156	700,000	491,313	9,425,000	2,757,813	12,550,000	5,448,282
645,000	261,401	645,000	245,276	675,000	229,151	8,491,023	1,323,286	11,686,023	2,628,041
65,000	28,750	65,000	27,125	65,000	25,500	955,000	161,875	1,270,000	305,250
185,000	193,325	250,000	186,800	260,000	178,988	3,950,000	1,185,032	4,825,000	2,144,445
1,000,000	11,250	-	-	-	-	-	-	3,500,000	101,250
6,555,000	1,895,323	5,750,000	1,748,260	5,335,000	1,602,818	53,636,023	8,259,360	84,226,023	17,742,707

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding		Retired During the Year	Principal Outstanding		2015		2016	
	January 1, 2014	Issued During the Year		December 31, 2014	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%									
	\$ 1,695,000	\$ -	\$ (255,000)	\$ 1,440,000	\$ 265,000	\$ 54,523	\$ 275,000	\$ 43,453	
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%									
	2,775,000	-	(155,000)	2,620,000	165,000	105,935.00	170,000	99,235.00	
Total Community-related bonds payable	4,470,000	-	(410,000)	4,060,000	430,000	160,458	445,000	142,688	
Total Interceptor and Treatment Facilities bonds payable	\$ 95,121,023	\$ -	\$ (6,835,000)	\$ 88,286,023	\$ 6,990,000	\$ 2,351,202	\$ 6,835,000	\$ 2,188,890	
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%									
	\$ 4,920,000	\$ -	\$ (250,000)	\$ 4,670,000	\$ 265,000	\$ 194,438	\$ 275,000	\$ 183,638	
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 #3 Digester Phase I. Fully drawn in September 2011. Due in amounts ranging from \$44,000 to \$70,000 through 2030 with interest rate of 2.50%									
	955,000	-	(45,000)	910,000	45,000	22,750	50,000	21,625	
Total Genesee County Drain Commission bonds payable	5,875,000	-	(295,000)	5,580,000	310,000	217,188	325,000	205,263	
Community-related Bonds Payable:									
Series 1996 \$1,240,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Rolston 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%									
	400,000	-	(100,000)	300,000	100,000	13,750.00	100,000	8,250.00	
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%									
	4,000,000	-	(1,345,000)	2,655,000	1,330,000	99,500.00	1,325,000	33,125.00	
Series 2003 \$4,000,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Sewage Disposal System project. Due serially in amounts ranging from \$125,000 to \$250,000 through 2024 with interest rates from 2.50% to 4.50%									
	2,525,000	-	(2,525,000)	-	-	-	-	-	
Series 2004A \$8,000,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Sewage Disposal System project. Due serially in amounts ranging from \$250,000 to \$700,000 through 2024 with interest rates from 4.00% to 5.00%. Refunded in December									
	400,000	-	(400,000)	-	-	-	-	-	
Series 2004B \$4,600,000 County of Genesee Limited Tax General Obligation Bonds for Fenton Township Sewage Disposal System project. Due serially in amounts ranging from \$100,000 to \$400,000 through 2024 with interest rates from 4.00% to 5.00%. Refunded in December									
	150,000	-	(150,000)	-	-	-	-	-	
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 interest rate of 4.00%									
	4,305,000	-	(440,000)	3,865,000	540,000	143,800.00	595,000	121,100.00	
Total Community-related bonds payable	11,780,000	-	(4,960,000)	6,820,000	1,970,000	257,050	2,020,000	162,475	
Total District No. 3 bonds payable	\$ 17,655,000	\$ -	\$ (5,255,000)	\$ 12,400,000	\$ 2,280,000	\$ 474,238	\$ 2,345,000	\$ 367,738	

Summary of Bonds Payable (Continued) Year Ended December 31, 2014

2017		2018		2019		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 285,000	\$ 31,901	\$ 300,000	\$ 19,688	\$ 315,000	\$ 6,694	\$ -	\$ -	\$ 1,440,000	\$ 156,259
180,000	92,235	190,000	84,835	200,000	77,035	1,715,000	273,406	2,620,000	732,681
465,000	124,136	490,000	104,523	515,000	83,729	1,715,000	273,406	4,060,000	888,940
\$ 7,020,000	\$ 2,019,459	\$ 6,240,000	\$ 1,852,783	\$ 5,850,000	\$ 1,686,547	\$ 55,351,023	\$ 8,532,766	\$ 88,286,023	\$ 18,631,647
\$ 290,000	\$ 172,338	\$ 305,000	\$ 160,438	\$ 320,000	\$ 147,938	\$ 3,215,000	\$ 609,719	\$ 4,670,000	\$ 1,468,509
50,000	20,375	50,000	19,125	50,000	17,875	665,000	103,875	910,000	205,625
340,000	192,713	355,000	179,563	370,000	165,813	3,880,000	713,594	5,580,000	1,674,134
100,000	2,750	-	-	-	-	-	-	300,000	24,750
-	-	-	-	-	-	-	-	2,655,000	132,625
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
910,000	91,000	915,000	54,500	905,000	18,100	-	-	3,865,000	428,500
1,010,000	93,750.00	915,000	54,500.00	905,000	18,100	-	-	6,820,000	585,875
\$ 1,350,000	\$ 286,463	\$ 1,270,000	\$ 234,063	\$ 1,275,000	\$ 183,913	\$ 3,880,000	\$ 713,594	\$ 12,400,000	\$ 2,260,009

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding		Retired During the Year	Principal Outstanding		2015		2016	
	January 1, 2014	Issued During the Year		December 31, 2014	Principal	Interest	Principal	Interest	
Water Supply Systems									
<u>Genesee County Drain Commissioner Bonds Payable:</u>									
Series 2003 \$9,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Water Tower project. Due serially in various amounts ranging from \$455,000 to \$775,000 through 2018 with interest rates from 2.50% to 4.375%	\$ 3,585,000	\$ -	\$ (3,585,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2003B \$18,000,000 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 \$175,000 to \$10,085,000 through 2033 with interest rates from 4.00% to 5.125%	15,730,000	-	(15,730,000)	-	-	-	-	-	-
Series 2004 \$14,960,000 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 in various amounts ranging from \$200,000 to \$1,000,000 through 2030 with interest rates from 3.00% to 5.00%	13,260,000	-	(13,260,000)	-	-	-	-	-	-
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%	5,100,000	-	(150,000)	4,950,000	160,000.00	214,953.00	160,000.00	208,153.00	
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%	35,000,000	-	(670,000)	34,330,000	815,000.00	1,711,837.50	840,000.00	1,687,387.50	
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		30,285,000	1,210,000.00	1,290,287.50	1,250,000.00	1,253,987.50	
Total Genesee County Drain Commission bonds payable	72,675,000	30,285,000	(33,395,000)	69,565,000	2,185,000	3,217,078	2,250,000	3,149,528	
<u>Community-related Bonds Payable:</u>									
Series 2011 \$933,515 Drinking Water Revolving Fund Program Revenue 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 interest rate of 2.50%	859,265	-	(40,000)	819,265	40,000.00	19,982.00	40,000.00	18,982.00	
Total Community-related bonds payable	859,265	-	(40,000)	819,265	40,000	19,982	40,000	18,982	
Total Water Supply Systems bonds payable	\$ 73,534,265	\$ 30,285,000	\$ (33,435,000)	\$ 70,384,265	\$ 2,225,000	\$ 3,237,060	\$ 2,290,000	\$ 3,168,510	
Total Genesee County Drain Commission bonds payable	\$ 169,201,023	\$ 30,285,000	\$ (40,115,000)	\$ 159,371,023	\$ 9,055,000	\$ 5,625,010	\$ 8,965,000	\$ 5,400,993	
Total Community-related bonds payable	17,109,265	-	(5,410,000)	11,699,265	2,440,000	437,490	2,505,000	324,145	
Total - All bonds payable	\$ 186,310,288	\$ 30,285,000	\$ (45,525,000)	\$ 171,070,288	\$ 11,495,000	\$ 6,062,500	\$ 11,470,000	\$ 5,725,138	

Summary of Bonds Payable (Continued) Year Ended December 31, 2014

2017		2018		2019		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
160,000.00	201,353.00	165,000.00	194,553.00	165,000.00	187,540.00	4,140,000	1,612,603	4,950,000	2,619,155
865,000.00	1,662,187.50	900,000.00	1,627,587.50	935,000.00	1,591,587.50	29,975,000	18,044,244	34,330,000	26,324,831
1,285,000.00	1,216,487.50	1,345,000.00	1,165,087.50	1,410,000.00	1,111,287.50	23,785,000	7,235,819	30,285,000	13,272,956
<u>2,310,000.00</u>	<u>3,080,028.00</u>	<u>2,410,000.00</u>	<u>2,987,228.00</u>	<u>2,510,000.00</u>	<u>2,890,415.00</u>	<u>57,900,000</u>	<u>26,892,666</u>	<u>69,565,000</u>	<u>42,216,943</u>
40,000.00	17,982.00	45,000.00	16,919.00	45,000.00	15,794.00	609,265	95,665	819,265	185,324
<u>40,000</u>	<u>17,982</u>	<u>45,000</u>	<u>16,919</u>	<u>45,000</u>	<u>15,794</u>	<u>609,265</u>	<u>95,665</u>	<u>819,265</u>	<u>185,324</u>
<u>\$ 2,350,000</u>	<u>\$ 3,098,010</u>	<u>\$ 2,455,000</u>	<u>\$ 3,004,147</u>	<u>\$ 2,555,000</u>	<u>\$ 2,906,209</u>	<u>\$ 58,509,265</u>	<u>\$ 26,988,331</u>	<u>\$ 70,384,265</u>	<u>\$ 42,402,267</u>
\$ 9,205,000	\$ 5,168,064	\$ 8,515,000	\$ 4,915,051	\$ 8,215,000	\$ 4,659,046	\$ 115,416,023	\$ 35,865,620	\$ 159,371,023	\$ 61,633,784
1,515,000	235,868.00	1,450,000	175,942.00	1,465,000	117,623.00	2,324,265	369,071	11,699,265	1,660,139
<u>\$ 10,720,000</u>	<u>\$ 5,403,932</u>	<u>\$ 9,965,000</u>	<u>\$ 5,090,993</u>	<u>\$ 9,680,000</u>	<u>\$ 4,776,669</u>	<u>\$ 117,740,288</u>	<u>\$ 36,234,691</u>	<u>\$ 171,070,288</u>	<u>\$ 63,293,923</u>