

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

**Financial Report
with Supplemental Information
December 31, 2016**

Genesee County Drain Commissioner Division of Water and Waste Services

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Enterprise Fund, Internal Service Funds, business-type activities, and discretely presented component unit of Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County (the "Division"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Genesee County Drain Commissioner Division of Water and Waste Services' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund, Internal Service Funds, business-type activities, and discretely presented component unit of Genesee County Drain Commissioner Division of Water and Waste Services as of December 31, 2016, 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.

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited Genesee County Drain Commissioner Division of Water and Waste Services' December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2017 on our consideration of Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Genesee County Drain Commissioner Division of Water and Waste Services, a component unit of Genesee County's internal control over financial reporting and compliance.

Plante & Moran, PLLC

June 15, 2017

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis

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

Primary Objectives

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

Responsibilities

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

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

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

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

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

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

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

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

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

- **Biosolids Disposal** - Each treatment plant is responsible for disposing wastewater treatment plant biosolids in a manner that is considered beneficial reuse, in particular, biosolids application on farmland. ARTP accomplished this goal in 2016 by applying 5,676 dry tons of stabilized biosolids on approximately 1,950 acres of approved fields. In 2016, District No. 3 applied 1,381 dry tons of stabilized biosolids on approximately 1,190 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, and 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 Great Lakes Water Authority (GLWA). The Division distributes potable water to local communities, which in turn supply their residential, commercial, and industrial customers. The Division also contracts with certain local municipalities to operate and maintain their water systems, as well as provide billing services.

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

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

During 2016, the Division continued to make significant progress on its plans to acquire a new water supply via its participation in the component unit Karegnondi Water Authority (KWA). The KWA will supply untreated water to the Division, and successfully brought its water pipeline and pumping capacity online in 2017.

The Division continued construction on its new water treatment plant, which will treat the raw water to be supplied by the KWA. The new water treatment plant will begin testing in July 2017, and is expected to officially come online in late 2017, at which time the Division will discontinue its purchase and use of GLWA treated water. Funding for the new water treatment plant is coming from bond sale proceeds, with the first bond sale completed in April 2015, and a subsequent bond sale completed in September 2016.

Rate Structure

During 2016, the Division received a water supply rate increase from GLWA, which the Division passed through to its community customers beginning in September 2016. Previously approved sewer rate increases for Districts 3 and 7 took effect in January 2014, while an ARTP sewer rate increase took effect in July 2014.

Karegnondi Water Authority

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

Using this Annual Report

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

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Condensed Financial Information

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

	December 31		Increase (Decrease)	Percent Change
	2016	2015		
Assets				
Current assets	\$ 32,850,489	\$ 36,418,358	\$ (3,567,869)	(9.8) %
Restricted assets	60,820,858	44,839,976	15,980,882	35.6
Noncurrent lease receivable and local unit construction in progress	46,297,522	43,306,090	2,991,432	6.9
Capital assets	<u>376,684,264</u>	<u>323,343,986</u>	<u>53,340,278</u>	16.5
Total assets	516,653,133	447,908,410	68,744,723	15.3
Deferred Outflows of Resources	15,018,219	3,106,373	11,911,846	383.5
Liabilities				
Current liabilities	15,542,370	20,019,718	(4,477,348)	(22.4)
Liabilities payable from restricted assets	14,600,588	3,402,534	11,198,054	329.1
Other noncurrent liabilities	38,605,550	23,774,329	14,831,221	62.4
Long-term debt	<u>264,716,346</u>	<u>213,095,902</u>	<u>51,620,444</u>	24.2
Total liabilities	333,464,854	260,292,483	73,172,371	28.1
Deferred Inflows of Resources	<u>1,125,058</u>	<u>1,368,998</u>	<u>(243,940)</u>	
Net Position				
Net investment in capital assets	185,230,686	184,728,296	502,390	0.3
Restricted	5,494,572	493,334	5,001,238	-
Unrestricted	<u>6,356,182</u>	<u>4,131,672</u>	<u>2,224,510</u>	53.8
Total net position	<u>\$ 197,081,440</u>	<u>\$ 189,353,302</u>	<u>\$ 7,728,138</u>	4.1

	Year Ended December 31		Increase (Decrease)	Percent Change
	2016	2015		
Revenue from operations	\$ 70,203,757	\$ 64,158,121	\$ 6,045,636	9.4 %
Gain on sale of assets	10,100	-	10,100	-
Interest on operating cash and receivables	<u>13,041</u>	<u>5,077</u>	<u>7,964</u>	156.9
Total revenue	70,226,898	64,163,198	6,063,700	9.5
Sludge disposal charges	982,834	1,146,713	(163,879)	(14.3)
Cost of water	22,155,625	18,207,829	3,947,796	21.7
Operating and maintenance expense	26,377,903	23,472,884	2,905,019	12.4
Administrative and depreciation expense	<u>10,948,598</u>	<u>11,176,087</u>	<u>(227,489)</u>	(2.0)
Total operating expenses	60,464,960	54,003,513	6,461,447	12.0
Other nonoperating expense	<u>(2,783,800)</u>	<u>(3,080,238)</u>	<u>296,438</u>	(9.6)
Change in net position - Before capital contributions	6,978,138	7,079,447	(101,309)	(1.4)
Capital contributions	<u>750,000</u>	<u>-</u>	<u>750,000</u>	
Change in net position	<u>\$ 7,728,138</u>	<u>\$ 7,079,447</u>	<u>\$ 648,691</u>	9.2

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

Major Capital Assets and Debt Activity

There were no construction project completions during 2016.

The Division continues to utilize remaining portions of \$56M water system supply bonds sold in 2016 in connection with its involvement in KWA to construct the division-owned water treatment plant. The water treatment plant is a key piece of the new water supply system, and is expected to come online later in 2017.

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

Financial Review

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

Statement of Net Position

- Current assets decreased almost \$3.6M to approximately \$32.9M.
- Current liabilities also decreased by approximately \$4.5M to approximately \$15.5M.
- Restricted assets increased to over \$60M due to unspent proceeds of the 2016 Water Treatment Plant bond.
- Combined unrestricted net position at year end increased over \$2.2M to approximately \$6.4M.

Statement of Revenue, Expenses, and Changes in Net Position

- Operating revenue increased by approximately \$6.0M (9.5 percent) in 2016, primarily due to the Great Lakes Water Authority (GLWA) water pass-through rate increase.

Operating expenses increased by 12.0 percent. Of this, cost of water increased by nearly \$4.0M in 2016 due to rate increases from the Great Lakes Water Authority, combined with a period when the Division was also making fixed capacity fee payments to the Karegnondi Water Authority as it prepared to switch water sources. The Division will also experience a significant cost of water increase in 2017 as it makes simultaneous payments to the GLWA and the KWA for a period of approximately nine months. As a result, 2018 should show a significant decrease from 2017 levels as the Division reverts back to making water purchases from just one vendor. Summarizing, 2015 was the last year when the Division was making payments to a single water supplier. In 2016, the Division experienced payments to two water suppliers 25 percent of the year, with that percentage increasing to an expected 75 percent of the year for 2017. 2018 is expected to be the next full year in which the Division is purchasing water from a single supplier, which will be the KWA.

Genesee County Drain Commissioner Division of Water and Waste Services

Management's Discussion and Analysis (Continued)

- Utility costs decreased approximately 4.9 percent in 2016, in part due to limited wet weather events and continued energy saving investments which have been made. 2017 utility costs are expected to increase due to a number of wet weather events combined with utility rate increases from our main supplier.
- Repairs and maintenance expenditures increased by approximately \$300,000, while contractual services decreased by \$210,000 in 2016.
- Personnel expenses increased by over \$3,000,000 partially due to planned staffing of the new water treatment plant, along with significant noncash charges for pension funding related to the new GASB 68 guidance.
- Depreciation was once again essentially flat year over the year.

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	
	2016	2015
Total revenue from I&T customers	\$ 25,585,636	\$ 25,358,801
Total flow (thousands of gallons)	10,431,280	9,531,680
Revenue per thousands of gallons treated	\$ 2.45	\$ 2.66

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

	Year Ended December 31	
	2016	2015
Total revenue from water sales	\$ 35,156,014	\$ 30,135,814
Volume of water purchased (cu. ft.) by Division	556,270,310	518,878,600
Volume of water sold (cu. ft.) by Division	561,326,691	521,158,226
Water efficiency rate	101%	100%
Revenue per 100 cu. ft. of water sold	\$ 6.26	\$ 5.78

Contacting the Division's Management

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Position Proprietary Fund Types

	December 31, 2016			Component Unit - Karegnondi Water Authority - September 30, 2016
	Major Enterprise	Proprietary Internal Service Fund	Total	
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 14,677,682	\$ 313,156	\$ 14,990,838	\$ 7,159,901
Accounts receivable	12,023,490	-	12,023,490	-
Current portion of leases receivable (Note 11)	2,420,000	-	2,420,000	-
Due from other governmental units	2,286,659	-	2,286,659	33,534
Accrued interest receivable	-	-	-	74,117
Prepaid expenses and other assets	1,129,502	-	1,129,502	-
Total current assets	32,537,333	313,156	32,850,489	7,267,552
Noncurrent assets:				
Restricted cash and cash equivalents (Notes 1 and 4)	60,820,858	-	60,820,858	45,429,465
Leases receivable - Net of current portion (Notes 1 and 11)	40,305,400	-	40,305,400	-
Due from other governmental units	4,704,585	-	4,704,585	-
Local unit construction in progress	1,287,537	-	1,287,537	-
Capital assets (Note 5):				
Assets not subject to depreciation	84,931,611	-	84,931,611	310,377,287
Assets subject to depreciation	289,990,998	1,761,655	291,752,653	-
Total noncurrent assets	482,040,989	1,761,655	483,802,644	355,806,752
Total assets	514,578,322	2,074,811	516,653,133	363,074,304
Deferred Outflows of Resources				
Deferred charge on refunding	19,281	-	19,281	-
Deferred outflows related to pensions (Note 7)	14,998,938	-	14,998,938	-
Total deferred outflows of resources	15,018,219	-	15,018,219	-
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	4,380,857	6,481	4,387,338	18,575
Current portion of long-term debt (Note 6)	11,155,032	-	11,155,032	-
Total current liabilities	15,535,889	6,481	15,542,370	18,575
Noncurrent liabilities:				
Liabilities related to restricted assets	14,600,588	-	14,600,588	12,573,368
Unearned leases	1,276,135	-	1,276,135	-
Lease interest payable	-	-	-	5,118,032
Other postemployment benefit obligation (Note 8)	5,147,853	-	5,147,853	-
Net pension liability (Note 7)	32,181,562	-	32,181,562	-
Long-term debt - Net of current portion (Note 6)	264,716,346	-	264,716,346	340,503,990
Total noncurrent liabilities	317,922,484	-	317,922,484	358,195,390
Total liabilities	333,458,373	6,481	333,464,854	358,213,965
Deferred Inflows of Resources - Deferred inflows related to pensions (Note 7)				
	1,125,058	-	1,125,058	-
Equity - Net position				
Net investment in capital assets	183,469,031	1,761,655	185,230,686	2,729,394
Restricted	5,494,572	-	5,494,572	-
Unrestricted	6,049,507	306,675	6,356,182	2,130,945
Total net position	\$ 195,013,110	\$ 2,068,330	\$ 197,081,440	\$ 4,860,339

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

Genesee County Drain Commissioner

Division of Water and Waste Services

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

	Year Ended December 31, 2016			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2016
	Enterprise Fund	Internal Service Fund	Total	
Operating Revenue				
Charges for sales and service:				
Sale of water	\$ 35,156,014	\$ -	\$ 35,156,014	\$ -
Sewage disposal charges	31,184,690	-	31,184,690	-
Billing services	139,269	-	139,269	-
Water meter sales	156,290	-	156,290	-
Sewer and pumping station - Operation and maintenance	1,320,630	-	1,320,630	-
Other operating revenue	2,246,864	-	2,246,864	-
Total operating revenue	70,203,757	-	70,203,757	-
Operating Expenses				
Cost of water	22,155,625	-	22,155,625	-
Sludge disposal service	982,834	-	982,834	-
Cost of insurance claims and expenses	394,749	-	394,749	-
Repairs and maintenance	2,860,530	-	2,860,530	-
Personnel services	18,758,980	-	18,758,980	-
Other supplies and expenses	1,408,814	43,610	1,452,424	4,186
Contractual services	1,723,498	-	1,723,498	190,313
Utilities	3,305,969	-	3,305,969	-
Depreciation	8,455,617	374,734	8,830,351	-
Total operating expenses	60,046,616	418,344	60,464,960	194,499
Operating Income (Loss)	10,157,141	(418,344)	9,738,797	(194,499)
Nonoperating Revenue (Expenses)				
Community bond interest income	1,997,301	-	1,997,301	-
Community bond interest expense	(1,997,301)	-	(1,997,301)	-
Miscellaneous income	1,315,756	-	1,315,756	-
Water supply operating subsidy	-	-	-	1,938,000
Interest expense	(4,099,556)	-	(4,099,556)	-
Bond issuance costs	-	-	-	(563,218)
Investment income	13,041	-	13,041	11,270
Gain on sale of capital assets	-	10,100	10,100	-
Total nonoperating (expense) revenue	(2,770,759)	10,100	(2,760,659)	1,386,052
Income (Loss)	7,386,382	(408,244)	6,978,138	1,191,553
Capital Contributions	750,000	-	750,000	-
Transfers In	-	65,844	65,844	-
Transfers Out	(65,844)	-	(65,844)	-
Increase (Decrease) in Net Position	8,070,538	(342,400)	7,728,138	1,191,553
Net Position - Beginning of year	186,942,572	2,410,730	189,353,302	3,668,786
Net Position - End of year	\$ 195,013,110	\$ 2,068,330	\$ 197,081,440	\$ 4,860,339

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, 2016			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2016
	Enterprise Fund	Internal Service Fund	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 70,977,074	\$ -	\$ 70,977,074	\$ -
Payments to suppliers and others for goods and services	(33,804,073)	(39,096)	(33,843,169)	(185,955)
Payments for salaries and employee benefits	(16,308,243)	-	(16,308,243)	-
Net cash provided by (used in) operating activities	20,864,758	(39,096)	20,825,662	(185,955)
Cash Flows from Noncapital Financing Activities - Water supply contract operating subsidy	-	-	-	1,938,000
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets	(55,440,082)	(154,808)	(55,594,890)	(126,489,885)
Collection of interest from communities and C.U. (KWA)	339,053	-	339,053	-
Community and C.U. (KWA) interest expense	(1,716,130)	-	(1,716,130)	-
Collections of leases receivable from municipalities	2,545,000	10,100	2,555,100	-
Proceeds from issuance of bonded debt	61,532,424	-	61,532,424	74,370,000
Principal paid on bond maturities	(16,140,000)	-	(16,140,000)	-
Interest paid on bonds and other long-term liabilities	(4,028,639)	-	(4,028,639)	(11,036,205)
Miscellaneous revenue	2,089,000	-	2,089,000	-
Bond issuance costs	-	-	-	(563,218)
Premium proceeds on bonded debt and bond issuance costs	6,283,838	-	6,283,838	-
Operating transfers	(65,844)	65,844	-	-
Net cash used in capital and related financing activities	(4,601,380)	(78,864)	(4,680,244)	(63,719,308)
Cash Flows from Investing Activities				
Investment income	13,041	-	13,041	569,415
Proceeds from sale and maturities of investment securities	-	-	-	68,908,919
Net cash provided by investing activities	13,041	-	13,041	69,478,334
Net Increase (Decrease) in Cash and Cash Equivalents	16,276,419	(117,960)	16,158,459	7,511,071
Cash and Cash Equivalents - Beginning of year	59,222,121	431,116	59,653,237	11,458,659
Cash and Cash Equivalents - End of year	\$ 75,498,540	\$ 313,156	\$ 75,811,696	\$ 18,969,730
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 14,677,682	\$ 313,156	\$ 14,990,838	\$ 7,159,901
Restricted cash and cash equivalents	60,820,858	-	60,820,858	45,429,465
Less amounts classified as investments	-	-	-	(33,619,636)
Total cash and cash equivalents	\$ 75,498,540	\$ 313,156	\$ 75,811,696	\$ 18,969,730

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Cash Flows - Proprietary Fund Types (Continued)

	Year Ended December 31, 2016			Component Unit - Karegnondi Water Authority - Year Ended September 30, 2015
	Enterprise Fund	Internal Service Fund	Total	
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income (loss)	\$ 10,157,141	\$ (418,344)	\$ 9,738,797	\$ (194,499)
Depreciation	8,455,617	374,734	8,830,351	-
Changes in assets and liabilities:				
Receivables	773,317	-	773,317	-
Prepaid and other assets	(129,220)	-	(129,220)	-
Accounts payable	(842,834)	4,514	(838,320)	8,544
Accrued and other liabilities	168,036	-	168,036	-
OPEB liability	(15,063)	-	(15,063)	-
Net pension liability	2,297,764	-	2,297,764	-
Net cash provided by (used in) operating activities	<u>\$ 20,864,758</u>	<u>\$ (39,096)</u>	<u>\$ 20,825,662</u>	<u>\$ (185,955)</u>

Noncash Activity

During the year ended September 30, 2016, the Karegnondi Water Authority has no noncash activities. During the year ended September 30, 2015, the Karegnondi Water Authority recorded \$4,625,646 of capital assets related to a capital lease. During the year ended September 30, 2015, the Karegnondi Water Authority also recorded \$33,960,593 of capital assets related to the drawdown of deposits with a pipe supplier.

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Included within the reporting entity are the following:

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2016

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, 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 its administrative offices at 4610 Beecher Road, Flint, MI. The Division also reports KWA activity as of September 30.

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

Accounting and Reporting Principles

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

Report Presentation

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2016

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 of 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, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

Specific Balances and Transactions

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

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

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

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

Restricted Assets - Certain assets are restricted by the Division's bond ordinance for debt service. In addition, unspent bond proceeds and county capital improvement fees are restricted for the construction of water collection and sewage disposal systems projects and debt service. 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, 2016

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 acquisition value at the time of donation. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Total interest expense for the Division for the year was \$8,303,714, of which \$2,945,783 (interest expense net of interest income and premium amortization) was capitalized. Total interest expense for KWA for the year was \$13,907,194, of which \$13,349,049 (interest expense net of interest income) was capitalized.

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

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

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

Liabilities Payable from Restricted Assets - The Division uses the restricted assets to liquidate construction-related payables and accrued interest payable on outstanding bonds. Therefore, these amounts due have been reported as a noncurrent liability.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2016

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

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

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

Net Position Flow Assumption

Sometimes the Division will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Division's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2016

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Other Postemployment Benefit Costs - The Division offers retiree healthcare benefits to retirees. The Division is responsible for 100 percent of the cost of postemployment benefits and advance funds. In 2016, the total number of eligible retirees amounted to 86 and postemployment benefits paid for retired employees totaled \$1,587,627.

Compensated Absences (Vacation and Sick Leave) - The Division's employees are granted vacation leave twice a year based on length of service. 80 hours of personal leave is granted at the beginning of each year. Upon retirement or separation, employees are paid accumulated vacation at current salary rates. Upon retirement or separation for nonunion employees, up to 112 hours of personal leave is also paid at current salary rates. Union employees are paid up to 112 hours of personal leave upon retirement only. At December 31, 2016, the Division has recorded a liability of approximately \$518,000 for accumulated vacation and personal leave.

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

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

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements
December 31, 2016

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Division's deposits may not be returned to it. The Division does not have a deposit policy for custodial credit risk. At year end, the Division had \$25,990,177 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. Bank deposits of \$500,000 were insured and \$52,991,694 were collateralized. 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.

For the year ended September 30, 2016, Karegnondi Water Authority had \$17,942,717 (checking and savings accounts) that were not fully insured or collateralized.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Division's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The Division and KWA hold no investments subject to interest rate risk.

Concentration of Credit Risk - The Division and KWA place no limit on the amount they may invest in any one issuer.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

Note 3 - Fair Value Measurement

The Division categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. All cash and investments owned by the Division and KWA are properly valued at cost; therefore, there is no fair value hierarchy applicable.

Note 4 - Restricted Assets

The restricted assets are restricted for the following purposes:

	Enterprise Fund	Component Unit - KWA
Unspent bond proceeds and related interest	\$ 49,818,153	\$ 10,909,829
County deposits	100,000	900,000
General obligation bond restrictions:		
Debt reserve	-	16,187,952
Debt retirement	10,902,705	17,431,684
Total restricted assets	<u>\$ 60,820,858</u>	<u>\$ 45,429,465</u>

Total restricted cash in the Water Supply System Fund of \$60,820,858 related to unspent bond proceeds and restriction by bond ordinance. Restricted cash of \$532,713 in District No. 3 and \$3,871,978 in Interceptor and Treatment Facilities related to restriction by bond ordinance. The liabilities payable from restricted assets are for construction accounts payable and accrued interest in the amount of \$14,600,588.

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, 2016

Note 5 - Capital Assets

Capital asset activity of the Division's proprietary funds at December 31, 2016 was as follows:

	Balance January 1, 2016	Additions	Disposals	Balance December 31, 2016
Enterprise Fund:				
Capital assets not being depreciated:				
Land	\$ 2,313,197	\$ -	\$ -	\$ 2,313,197
Construction in progress	22,151,656	61,666,013	(1,199,255)	82,618,414
Subtotal	24,464,853	61,666,013	(1,199,255)	84,931,611
Capital assets being depreciated:				
Distribution and collections system	366,642,152	-	-	366,642,152
Buildings and equipment	13,471,582	1,233,714	(82,527)	14,622,769
Vehicles	912,047	315,349	(20,439)	1,206,957
Subtotal	381,025,781	1,549,063	(102,966)	382,471,878
Accumulated depreciation:				
Distribution and collections system	(77,941,140)	(7,745,965)	-	(85,687,105)
Buildings and equipment	(5,551,861)	(604,753)	82,527	(6,074,087)
Vehicles	(635,228)	(104,899)	20,439	(719,688)
Subtotal	(84,128,229)	(8,455,617)	102,966	(92,480,880)
Net capital assets being depreciated	296,897,552	(6,906,554)	-	289,990,998
Net capital assets	\$ 321,362,405	\$ 54,759,459	\$ (1,199,255)	\$ 374,922,609
Internal Service Fund:				
Capital assets being depreciated - Buildings and equipment	\$ 8,845,870	\$ 182,670	\$ (1,088,855)	\$ 7,939,685
Accumulated depreciation - Buildings and improvements	(6,864,289)	(374,734)	1,060,993	(6,178,030)
Net capital assets	\$ 1,981,581	\$ (192,064)	\$ (27,862)	\$ 1,761,655
Total proprietary funds capital assets	\$ 323,343,986	\$ 54,567,395	\$ (1,227,117)	\$ 376,684,264
Balance December 31, 2016				
Component unit - KWA - Capital assets not being depreciated - Construction in progress	\$ 181,395,807	\$ 128,981,480	\$ -	\$ 310,377,287

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2016

Note 5 - Capital Assets (Continued)

Construction Commitments - The Division has active construction projects at year end, which include improvements and extensions to the water and sewage disposal systems. The most significant project related to the water supply system construction. The Division spent \$110,415,179 to date and has \$30,635,350 remaining on water and sewer contracts.

The component unit, KWA, had the water pipeline project in progress during the year. At year end, it spent \$248,189,580 and had \$12,381,633 remaining on the contract.

Note 6 - Long-term Debt

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

Long-term debt activity for the year ended December 31, 2016 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	\$ 77,666,023	\$ -	\$ (6,390,000)	\$ 71,276,023	\$ 6,555,000
District No. 3	2	2.50%-4.50%	2030	5,270,000	-	(325,000)	4,945,000	340,000
Water supply system	6	2.50%-5.375%	2046	127,380,000	60,559,561	(6,880,000)	181,059,561	2,295,000
Premiums on bonds payable				4,572,862	6,709,810	(417,278)	10,865,394	410,032
Subtotal				214,888,885	67,269,371	(14,012,278)	268,145,978	9,600,032
Community-related bonds payable:								
Interceptor and treatment facilities	2	4.00%-4.35%	2026	3,630,000	-	(445,000)	3,185,000	465,000
District No. 3	3	2.50%-7.375%	2019	4,850,000	-	(2,020,000)	2,830,000	1,010,000
Water supply system	2	2.50	2035	1,416,006	374,394	(80,000)	1,710,400	80,000
Subtotal				9,896,006	374,394	(2,545,000)	7,725,400	1,555,000
Total bonds payable				\$ 224,784,891	\$ 67,643,765	\$ (16,557,278)	\$ 275,871,378	\$ 11,155,032
				Beginning Balance October 1, 2015	Additions	Reductions	Ending Balance September 30, 2016	Due Within One Year
Component Unit Activities								
Bonds				\$ 220,500,000	\$ 74,370,000	\$ -	\$ 294,870,000	\$ -
Premiums on bonds payable				11,027,841	-	393,851	10,633,990	-
Capital lease				35,000,000	-	-	35,000,000	-
Total component unit activities				\$ 266,527,841	\$ 74,370,000	\$ 393,851	\$ 340,503,990	\$ -

Genesee County Drain Commissioner Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

Note 6 - Long-term Debt (Continued)

Total interest expense for the Division for the year was \$8,303,714, of which \$2,945,783 (interest expense net of interest income and premium amortization) was capitalized. Total interest expense for KWA for the year was \$13,907,194, of which \$13,349,049 (interest expense net of interest income) was capitalized.

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

Years Ending December 31	Business-type Activities			Component Unit Activities - KWA		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 10,745,000	\$ 10,235,375	\$ 20,980,375	\$ -	\$ 14,361,491	\$ 14,361,491
2018	11,045,000	10,210,307	21,255,307	78,475,000	14,928,113	93,403,113
2019	10,930,000	9,839,434	20,769,434	4,275,000	10,861,863	15,136,863
2020	10,045,000	9,488,589	19,533,589	4,475,000	10,669,613	15,144,613
2021	10,425,000	9,136,866	19,561,866	4,655,000	10,471,363	15,126,363
2022-2026	58,050,000	39,772,294	97,822,294	26,740,000	48,788,938	75,528,938
2027-2031	43,230,288	29,479,603	72,709,891	34,180,000	41,105,344	75,285,344
2032-2036	35,471,135	20,327,759	55,798,894	43,990,000	31,062,075	75,052,075
2037-2040	37,344,561	12,735,096	50,079,657	56,590,000	18,103,650	74,693,650
2041-2045	37,720,000	4,036,225	41,756,225	41,490,000	3,179,250	44,669,250
Total	\$ 265,005,984	\$ 155,261,548	\$ 420,267,532	\$ 294,870,000	\$ 203,531,700	\$ 498,401,700

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 \$352,507,133. During the current year, net revenue of the system was \$18,612,758 compared to the annual debt requirements of \$12,279,393. Of the annual debt requirement, \$2,668,818 is interest expense funded by capitalized interest from bond proceeds.

Note 7 - Retirement Plans - Defined Benefit Plan

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

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

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

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

GCERS provides for vesting of benefits after 10 years of service. Generally, participants may elect normal retirement with 25 years of credited service, regardless of age, or at age 60 with 10 or more years of credited service. Retirement benefits vary by employer group and are payable monthly. Generally, the retirement benefit is equal to the employee's final average compensation times the sum of 2.0-2.4 percent for each year of credited service. All employers allow members to elect a deferred annuity providing a lifetime benefit. The length of service required to elect the deferred annuity is either 8 or 10 years, depending on the date of employment and employer group.

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

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

Employees Covered by Benefit Terms - At the December 31, 2015 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	102
Inactive plan members entitled to but not yet receiving benefits	7
Active plan members	130
Total employees covered by GCERS	<u>239</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

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

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

For the year ended December 31, 2016, one appointed employee contributes 5 percent and all others contribute 7 percent of annual pay and the Division's average contribution rate was 20.0 percent of annual payroll.

Net Pension Liability

The net pension liability reported at December 31, 2016 was determined using a measure of the total pension liability and the pension net position as of December 31, 2015. The December 31, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2014	\$ 59,485,648	\$ 41,775,976	\$ 17,709,672
Service cost	879,564	-	879,564
Interest	4,017,471	-	4,017,471
Differences between expected and actual experience	(50,724)	-	(50,724)
Changes in assumptions	12,131,977	-	12,131,977
Contributions - Employer	-	1,665,567	(1,665,567)
Contributions - Employee	-	573,221	(573,221)
Net investment income	-	519,442	(519,442)
Benefit payments, including refunds	(3,474,956)	(3,474,956)	-
Administrative expenses	-	(46,313)	46,313
Miscellaneous other charges	205,519	-	205,519
Net changes	13,708,851	(763,039)	14,471,890
Balance at December 31, 2015	\$ 73,194,499	\$ 41,012,937	\$ 32,181,562

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

**Notes to Financial Statements
December 31, 2016**

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

Assumption Changes - As of the measurement date, December 31, 2015, the mortality table used by GCERS was updated to the RP 2000 Combined Healthy Annuitant Mortality Table. The discount rate was also changed from 6.88 to 5.56 percent. These changes in assumptions changed the total pension liability as noted in the table above.

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

For the year ended December 31, 2016, the Division recognized pension expense of \$3,940,140. At December 31, 2016, the Division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,125,058)
Changes in assumptions	11,547,084	-
Net difference between projected and actual earnings on pension plan investments	1,809,478	-
Employer contributions to the plan subsequent to the measurement date	<u>1,642,376</u>	<u>-</u>
Total	<u>\$ 14,998,938</u>	<u>\$ (1,125,058)</u>

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

<u>Years Ending December 31</u>	<u>Amount</u>
2017	\$ 2,251,300
2018	2,251,300
2019	2,251,300
2020	2,264,308
2021	1,791,971
Thereafter	1,421,325

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

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

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 %	
Salary increases	3.0-7.03 %	Across-the-board increases along with merit and longevity increases that range from .17 percent up to 4.03 percent
Discount rate	5.56 %	

Mortality rates were based on the RP 2000 Combined Healthy Annuitant Mortality Table projected to 2014.

Discount Rate - The discount rate used to measure the total pension liability was 5.56 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, discount rate incorporates both the assumed rate of return of 8.0 percent and a municipal bond rate, which was 3.15 percent. The source of that bond rate was the S&P Muni Bond 20-year high-grade index.

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. At December 31, 2015, the annual money-weighted rate of return, net of investment expenses, was 1.03 percent. The nominal long-term expected rate of return for the System as a whole was 8.0 percent. The target allocation by class is as follows:

Asset Class	Target Allocation (%)
U.S. equities active or passive	32 %
Non-U.S. equities	18
Domestic fixed income	20
Commercial real estate	20
Alternative investment hedge funds	10

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the Division, calculated using the discount rate of 5.56 percent, as well as what the Division's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.56 percent) or 1 percentage point higher (6.56 percent) than the current rate:

	1 Percent Decrease (4.56%)	Current Discount Rate (5.56%)	1 Percent Increase (6.56%)
Net pension liability of the Division	\$ 41,998,396	\$ 32,181,562	\$ 24,445,831

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

Note 8 - Other Postemployment Benefits

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

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

Funding Progress - For the year ended December 31, 2016, the Division has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,845,372
Interest on the prior year's net OPEB obligation	387,216
Less adjustment to the annual required contribution	<u>(160,024)</u>
Annual OPEB cost	3,072,564
Amounts contributed:	
Payments of current premiums	(1,587,627)
Advance funding	<u>(1,500,000)</u>
Total contributions	<u>(3,087,627)</u>
Decrease in net OPEB obligation	(15,063)
OPEB obligation - Beginning of year	<u>5,162,916</u>
OPEB obligation - End of year	<u>\$ 5,147,853</u>

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

Note 8 - Other Postemployment Benefits (Continued)

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

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
12/31/14	\$ 3,738,090	100.10 %	\$ 5,192,543
12/31/15	2,977,136	101.00	5,162,916
12/31/16	3,072,564	100.50	5,147,853

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
9/30/12	\$ 2,333,369	\$ 37,819,976	\$ 35,486,607	6.17 %	\$ 7,312,770	485.27 %
12/31/13	4,580,978	52,626,256	48,045,278	8.70	7,092,691	677.39
12/31/15	9,101,281	41,766,267	32,664,986	21.79	8,163,418	400.14
12/31/16	11,648,845	45,148,521	33,499,676	25.80	8,244,365	406.33

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
12/31/12	12/31/10	\$ 3,818,480	105.38 %	50.59 %
12/31/13	12/31/13	2,523,914	126.86	48.48
12/31/14	12/31/13	3,554,246	105.50	48.48
12/31/15	12/31/15	2,715,562	110.70	36.80
12/31/16	12/31/16	2,845,372	108.51	37.45

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

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements December 31, 2016

Note 8 - Other Postemployment Benefits (Continued)

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

In the December 31, 2016 actuarial valuation, the individual entry age actuarial-cost method was used. The actuarial assumptions included a 7.50 percent investment rate of return (net of administrative expenses) and an assumed rate of increase for healthcare costs was 8 percent for medical and prescription drugs for 2016, with this rate of increase declining over seven years in 0.5 percent increments. Thereafter, it is assumed to be 5.0 percent per year. The UAAL is being amortized as a level percentage of projected payroll over 30 years on an open basis.

Note 9 - Risk Management

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

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

	<u>2016</u>	<u>2015</u>
Unpaid claims - Beginning of year	\$ 507,921	\$ 485,354
Incurred claims, including claims incurred but not reported	2,423,517	2,438,023
Claims payments	<u>(2,426,539)</u>	<u>(2,415,456)</u>
Unpaid claims - End of year	<u>\$ 504,899</u>	<u>\$ 507,921</u>

Genesee County Drain Commissioner

Division of Water and Waste Services

Notes to Financial Statements

December 31, 2016

Note 10 - Upcoming Accounting Pronouncements

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

Note 11 - Related Party Transactions

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

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

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, 2016

Note 11 - Related Party Transactions (Continued)

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

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

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

Required Supplemental Information

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

**Required Supplemental Information
Other Postemployment Health Benefits
Schedule of Funding Progress
Year Ended December 31, 2016**

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
12/31/13	\$ 4,580,978	\$ 52,626,256	\$ 48,045,278	8.70 %	\$ 7,092,691	677.39 %
12/31/15	9,101,281	41,766,267	32,664,986	21.79	8,163,418	400.14
12/31/16	11,648,845	45,148,521	33,499,676	25.80	8,244,365	406.33

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2016, the latest actuarial valuation, is as follows:

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

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

**Required Supplemental Information
Schedule of Changes in the Division Net Pension Liability
and Related Ratios
December 31, 2015 and 2014**

	2015	2014
Total Pension Liability		
Service cost	\$ 879,564	\$ 792,297
Interest	4,017,471	3,903,244
Changes in benefit terms	-	-
Differences between expected and actual experience	(50,724)	(1,552,139)
Changes in assumptions	12,131,977	1,720,622
Benefit payments, including refunds	(3,474,956)	(3,430,840)
Other	205,519	-
Net Change in Total Pension Liability	13,708,851	1,433,184
Total Pension Liability - Beginning of year	59,485,648	58,052,464
Total Pension Liability - End of year	\$ 73,194,499	\$ 59,485,648
Plan Fiduciary Net Position		
Contributions - Employer	\$ 1,608,830	\$ 1,434,116
Contributions - Member	573,221	491,212
Net investment income	519,442	2,799,943
Administrative expenses	(46,313)	(45,417)
Benefit payments, including refunds	(3,474,956)	(3,430,840)
Other	56,737	-
Net Change in Plan Fiduciary Net Position	(763,039)	1,249,014
Plan Fiduciary Net Position - Beginning of year	41,775,976	40,526,962
Plan Fiduciary Net Position - End of year	\$ 41,012,937	\$ 41,775,976
Division's Net Pension Liability - Ending	\$ 32,181,562	\$ 17,709,672
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	56.03 %	70.23 %
Covered Employee Payroll	\$ 8,211,886	\$ 7,910,806
Division's Net Pension Liability as a Percentage of Covered Employee Payroll	391.9 %	223.9 %

Genesee County Drain Commissioner Division of Water and Waste Services

Required Supplemental Information Schedule of Division Contributions Last Ten Fiscal Years

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	\$ 1,330,325	\$ 1,456,379	\$ 1,491,452	\$ 1,456,416	\$ 1,531,645	\$ 1,763,782	\$ 1,744,861	\$ 1,679,931	\$ 1,717,656	\$ 1,689,682
Contributions in relation to the actuarially determined contribution	1,642,376	1,608,830	1,491,452	1,456,416	1,531,645	1,763,782	1,744,861	1,679,931	1,717,656	1,689,682
Contribution excess	<u>\$ (312,051)</u>	<u>\$ (152,451)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 8,211,886	\$ 7,910,806	\$ 7,331,367	\$ 7,199,930	\$ 7,050,579	\$ 7,312,770	\$ 7,610,890	\$ 8,130,143	\$ 8,420,060	\$ 7,823,724
Contributions as a percentage of covered employee payroll	20.0 %	20.3 %	20.3 %	20.2 %	21.7 %	24.1 %	22.9 %	20.7 %	20.4 %	21.6 %

Notes to Schedule of Division Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported. Contributions for the Division's fiscal year ended December 31, 2016 were determined based on the actuarial valuation as of December 31, 2014. The most recent valuation is as of December 31, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	25 years, open
Asset valuation method	Four years smoothed market
Inflation	3.00 percent
Salary increases	3.0-7.03 percent, including inflation
Investment rate of return	8.0 percent, net of pension plan investment expense, including inflation
Retirement age	60
Mortality	RP 2000 Combined Healthy Mortality Table
Other information	None

Supplemental Information

Genesee County Drain Commissioner

Division of Water and Waste Services

Statement of Net Position (Divisional Detail) - Enterprise Fund December 31, 2016

	December 31, 2016				December 31, 2015	
	Sewage Disposal Systems				Total	
	Interceptor and Treatment Facilities	District No. 3	District No. 7	Water Supply Systems	Total	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 6,334,260	\$ 2,494,285	\$ 624,272	\$ 5,224,865	\$ 14,677,682	\$ 14,382,145
Accounts receivable	6,089,369	854,413	155,047	4,924,661	12,023,490	12,820,051
Current portion of leases receivable	465,000	1,010,000	-	945,000	2,420,000	4,855,000
Due from other governmental units	22,276	28,217	-	2,236,166	2,286,659	5,658,093
Prepaid expenses and other assets	217,782	32,907	4,912	873,901	1,129,502	596,953
Total current assets	13,128,687	4,419,822	784,231	14,204,593	32,537,333	38,312,242
Noncurrent assets:						
Restricted cash and cash equivalents	3,871,978	532,713	-	56,416,167	60,820,858	44,839,976
Leases receivable - Net of current portion	2,720,000	1,820,000	-	35,765,400	40,305,400	40,041,006
Due from other governmental units	-	-	-	4,704,585	4,704,585	-
Local unit construction in progress	-	-	-	1,287,537	1,287,537	940,084
Capital assets:						
Assets not subject to depreciation	1,032,800	-	-	83,898,811	84,931,611	24,464,853
Assets subject to depreciation - Net of depreciation	203,187,946	26,524,152	373,656	59,905,244	289,990,998	296,897,552
Total noncurrent assets	210,812,724	28,876,865	373,656	241,977,744	482,040,989	407,183,471
Total assets	223,941,411	33,296,687	1,157,887	256,182,337	514,578,322	445,495,713
Deferred Outflows of Resources	8,509,909	1,795,474	345,034	4,367,802	15,018,219	3,106,373
Liabilities						
Current liabilities:						
Accounts payable	1,921,209	263,834	37,268	2,158,546	4,380,857	8,328,762
Current portion of long-term debt	7,031,032	1,351,597	-	2,772,403	11,155,032	11,688,989
Total current liabilities	8,952,241	1,615,431	37,268	4,930,949	15,535,889	20,017,751
Noncurrent liabilities:						
Liabilities related to restricted assets	392,651	34,784	-	14,173,153	14,600,588	3,402,534
Unearned leases	-	-	-	1,276,135	1,276,135	901,741
Other postemployment benefit obligation	3,174,086	498,921	84,158	1,390,688	5,147,853	5,162,916
Net pension liability	18,240,509	3,852,133	740,176	9,348,744	32,181,562	17,709,672
Long-term debt - Net of current portion	67,559,876	6,440,971	-	190,715,499	264,716,346	213,095,902
Total noncurrent liabilities	89,367,122	10,826,809	824,334	216,904,219	317,922,484	240,272,765
Total liabilities	98,319,363	12,442,240	861,602	221,835,168	333,458,373	260,290,516
Deferred Inflows of Resources	637,133	134,771	25,934	327,220	1,125,058	1,368,998
Equity - Net position						
Net investment in capital assets	132,823,899	21,561,584	373,656	28,709,892	183,469,031	182,455,249
Restricted for debt service	3,479,327	497,929	-	1,517,316	5,494,572	493,334
Unrestricted	(2,808,402)	455,637	241,729	8,160,543	6,049,507	3,993,989
Total net position	\$ 133,494,824	\$ 22,515,150	\$ 615,385	\$ 38,387,751	\$ 195,013,110	\$ 186,942,572

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, 2016				Year Ended December 31, 2015	
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Operating Revenue						
Charges for sales and service:						
Sale of water	\$ -	\$ -	\$ -	\$ 35,156,014	\$ 35,156,014	\$ 30,135,814
Sewage disposal charges	25,585,636	4,664,134	934,920	-	31,184,690	30,870,534
Billing services	139,269	-	-	-	139,269	141,021
Water meter sales	-	-	-	156,290	156,290	90,672
Sewer and pumping station - Operation and maintenance	1,320,630	-	-	-	1,320,630	1,212,433
Other operating revenue	1,439,137	304,384	15,917	487,426	2,246,864	1,707,647
Total operating revenue	28,484,672	4,968,518	950,837	35,799,730	70,203,757	64,158,121
Operating Expenses						
Cost of water	-	-	-	22,155,625	22,155,625	18,207,829
Sludge disposal service	712,537	270,297	-	-	982,834	1,146,713
Cost of insurance claims and expenses	171,975	38,764	6,462	177,548	394,749	369,289
Repairs and maintenance	1,548,665	541,092	228,638	542,135	2,860,530	2,562,603
Personnel services	10,572,444	2,255,899	430,963	5,499,674	18,758,980	15,436,545
Other supplies and expenses	1,013,833	111,174	27,207	256,600	1,408,814	1,944,191
Contractual services	928,875	242,641	11,326	540,656	1,723,498	1,933,304
Utilities	2,246,065	384,592	179,130	496,182	3,305,969	3,476,713
Depreciation	5,496,288	809,414	27,173	2,122,742	8,455,617	8,435,812
Total operating expenses	22,690,682	4,653,873	910,899	31,791,162	60,046,616	53,512,999
Operating Income	5,793,990	314,645	39,938	4,008,568	10,157,141	10,645,122
Nonoperating Revenue (Expenses)						
Community bond interest income	141,275	139,896	-	1,716,130	1,997,301	2,126,613
Community bond interest expense	(141,275)	(139,896)	-	(1,716,130)	(1,997,301)	(2,126,613)
Miscellaneous income	622,500	-	-	693,256	1,315,756	1,179,810
Interest expense	(2,018,010)	(202,270)	-	(1,879,276)	(4,099,556)	(4,260,048)
Investment income	3,444	939	192	8,466	13,041	5,077
Total nonoperating (expense) revenue	(1,392,066)	(201,331)	192	(1,177,554)	(2,770,759)	(3,075,161)
Income	4,401,924	113,314	40,130	2,831,014	7,386,382	7,569,961
Capital Contributions	-	-	-	750,000	750,000	-
Transfers Out	(31,605)	(4,938)	(988)	(28,313)	(65,844)	(116,983)
Increase in Net Position	4,370,319	108,376	39,142	3,552,701	8,070,538	7,452,978
Net Position - Beginning of year	129,124,505	22,406,774	576,243	34,835,050	186,942,572	179,489,594
Net Position - End of year	\$ 133,494,824	\$ 22,515,150	\$ 615,385	\$ 38,387,751	\$ 195,013,110	\$ 186,942,572

Genesee County Drain Commissioner Division of Water and Waste Services

Statement of Cash Flows (Divisional Detail) - Enterprise Fund

	Year Ended December 31, 2016					Year Ended December 31, 2015
	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	\$ 28,949,927	\$ 4,975,912	\$ 950,370	\$ 36,100,865	\$ 70,977,074	\$ 62,995,742
Payments to suppliers and others for goods and services	(6,473,592)	(1,631,995)	(458,547)	(25,239,939)	(33,804,073)	(29,116,726)
Payments for salaries and employee benefits	(9,418,636)	(1,917,032)	(352,143)	(4,620,432)	(16,308,243)	(14,843,953)
Net cash provided by operating activities	13,057,699	1,426,885	139,680	6,240,494	20,864,758	19,035,063
Cash Flows from Capital and Related Financing Activities						
Purchases of capital assets	(347,040)	(245,214)	-	(54,847,828)	(55,440,082)	(22,209,924)
Collection of interest from communities and C.U. (KWA)	144,287	163,325	-	31,441	339,053	440,643
Community and C.U. (KWA) interest expense	-	-	-	(1,716,130)	(1,716,130)	(1,731,806)
Collection of leases receivable from municipalities	445,000	2,020,000	-	80,000	2,545,000	2,400,000
Proceeds from issuance of refunding bonds	-	-	-	61,532,424	61,532,424	60,000,000
Principal paid on bond maturities	(6,835,000)	(2,345,000)	-	(6,960,000)	(16,140,000)	(11,495,000)
Interest paid on bonds	(2,196,238)	(369,337)	-	(1,463,064)	(4,028,639)	(3,334,899)
Miscellaneous revenue	630,292	-	-	1,458,708	2,089,000	1,216,425
Premium proceeds on bonded debt and bond issuance costs	-	-	-	6,283,838	6,283,838	1,967,580
Return of investment in capital assets	-	-	-	-	-	85,789
Transfers to other funds	(31,605)	(4,938)	(988)	(28,313)	(65,844)	(116,893)
Net cash (used in) provided by capital and related financing activities	(8,190,304)	(781,164)	(988)	4,371,076	(4,601,380)	27,221,825
Cash Flows from Investing Activities - Investment income	3,444	939	192	8,466	13,041	5,076
Net Increase (Decrease) in Cash and Cash Equivalents	4,870,839	646,660	138,884	10,620,036	16,276,419	46,261,964
Cash and Cash Equivalents - Beginning of year	5,335,399	2,380,338	485,388	51,020,996	59,222,121	12,960,157
Cash and Cash Equivalents - End of year	<u>\$ 10,206,238</u>	<u>\$ 3,026,998</u>	<u>\$ 624,272</u>	<u>\$ 61,641,032</u>	<u>\$ 75,498,540</u>	<u>\$ 59,222,121</u>
Statement of Net Position Classification of Cash and Cash Equivalents						
Cash and cash equivalents	\$ 6,334,260	\$ 2,494,285	\$ 624,272	\$ 5,224,865	\$ 14,677,682	\$ 14,382,145
Restricted cash and cash equivalents	3,871,978	532,713	-	56,416,167	60,820,858	44,839,976
Total cash and cash equivalents	<u>\$ 10,206,238</u>	<u>\$ 3,026,998</u>	<u>\$ 624,272</u>	<u>\$ 61,641,032</u>	<u>\$ 75,498,540</u>	<u>\$ 59,222,121</u>

Genesee County Drain Commissioner Division of Water and Waste Services

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

	Year Ended December 31, 2016					Year Ended December 31, 2015
	Interceptor and Treatment Facilities	Sewage Disposal Systems		Water Supply Systems	Total	Total
		District No. 3	District No. 7			
Reconciliation of Operating Income to Net Cash from Operating Activities						
Operating income	\$ 5,793,990	\$ 314,645	\$ 39,938	\$ 4,008,568	\$ 10,157,141	\$ 10,645,122
Depreciation	5,496,288	809,414	27,173	2,122,742	8,455,617	8,435,812
Changes in assets and liabilities:						
Receivables	465,255	7,394	(467)	301,135	773,317	(1,162,379)
Inventories	-	-	-	-	-	35,715
Prepaid and other assets	(63,453)	(10,600)	(2,218)	(52,949)	(129,220)	(108,614)
Accounts payable and accrued expenses	211,811	(32,835)	(3,566)	(1,018,244)	(842,834)	596,815
OPEB liability	(8,808)	(1,800)	(318)	(4,137)	(15,063)	(29,627)
Accrued and other liabilities	85,983	23,999	2,275	55,779	168,036	703,687
Net pension liability	1,076,633	316,668	76,863	827,600	2,297,764	(81,468)
Net cash provided by operating activities	<u>\$ 13,057,699</u>	<u>\$ 1,426,885</u>	<u>\$ 139,680</u>	<u>\$ 6,240,494</u>	<u>\$ 20,864,758</u>	<u>\$ 19,035,063</u>

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

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

	December 31, 2016	December 31, 2015
Assets		
Current assets - Cash and cash equivalents	\$ 313,156	\$ 431,116
Noncurrent assets - Capital assets - Assets subject to depreciation - Net of depreciation	<u>1,761,655</u>	<u>1,981,581</u>
Total assets	2,074,811	2,412,697
Liabilities - Current liabilities - Accounts payable and accrued expenses	<u>6,481</u>	<u>1,967</u>
Equity - Net position		
Net investment in capital assets	1,761,655	1,981,581
Unrestricted	<u>306,675</u>	<u>429,149</u>
Total net position	<u>\$ 2,068,330</u>	<u>\$ 2,410,730</u>

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

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

	Year Ended December 31	
	2016	2015
Operating Expenses		
Supplies	\$ 43,610	\$ 52,832
Depreciation	374,734	437,682
Total operating expenses	418,344	490,514
Operating Loss	(418,344)	(490,514)
Nonoperating Revenue - Gain on sale of assets	10,100	-
Transfers In	65,844	116,983
Decrease in Net Position	(342,400)	(373,531)
Net Position - Beginning of year	2,410,730	2,784,261
Net Position - End of year	\$ 2,068,330	\$ 2,410,730

Genesee County Drain Commissioner Division of Water and Waste Services

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

	Year Ended December 31	
	2016	2015
Cash Flows from Operating Activities - Payments to suppliers and others for goods and services	\$ (39,096)	\$ (55,340)
Cash Flows from Noncapital Financing Activities		
Cash Flows from Capital and Related Financing Activities		
Proceeds from sales of capital assets	10,100	-
Purchase of capital assets	(154,808)	(146,216)
Operating transfer	65,844	116,983
Net cash used in capital and related financing activities	(78,864)	(29,233)
Net Decrease in Cash and Cash Equivalents	(117,960)	(84,573)
Cash and Cash Equivalents - Beginning of year	431,116	515,689
Cash and Cash Equivalents - End of year	\$ 313,156	\$ 431,116
Statement of Net Position Classification of Cash and Cash Equivalents	\$ 313,156	\$ 431,116
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (418,344)	\$ (490,514)
Depreciation	374,734	437,682
Changes in assets and liabilities - Accounts payable, accrued expenses, and deferred revenue	4,514	(2,508)
Net cash used in operating activities	\$ (39,096)	\$ (55,340)

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2016	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2016	2017		2018	
					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%	\$ 1,610,000	\$ -	\$ (515,000)	\$ 1,095,000	\$ 535,000	\$ 49,275	\$ 560,000	\$ 25,200
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 an interest rate of 1.625%	13,070,000	-	(1,095,000)	11,975,000	1,115,000	194,594	1,130,000	176,475
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 an interest rate of 1.625%	9,145,000	-	(765,000)	8,380,000	780,000	129,838	790,000	117,081
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 an interest rate of 1.625%	1,800,000	-	(135,000)	1,665,000	140,000	27,056	140,000	24,781
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 an interest rate of 1.625%	4,915,000	-	(375,000)	4,540,000	380,000	73,775	385,000	67,600
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 an interest rate of 1.625%	2,765,000	-	(210,000)	2,555,000	215,000	41,519	215,000	38,025
Series 2007 \$10,500,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Division Northeast Extension Sewer project. Fully drawn in December 2010. Due in amounts ranging from \$450,000 to \$610,000 through 2028 with an interest rate of 1.625%	7,200,000	-	(500,000)	6,700,000	510,000	104,731	520,000	96,363

Genesee County Drain Commissioner Division of Water and Waste Services

Summary of Bonds Payable Year Ended December 31, 2016

2019		2020		2021		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,095,000	\$ 74,475
1,150,000	158,113	1,170,000	139,425	1,185,000	120,413	6,225,000	306,719	11,975,000	1,095,739
805,000	104,122	815,000	90,959	830,000	77,594	4,360,000	179,319	8,380,000	698,913
145,000	22,506	145,000	20,150	150,000	17,794	945,000	54,518	1,665,000	166,805
395,000	61,344	400,000	54,925	405,000	48,425	2,575,000	148,443	4,540,000	454,512
220,000	34,531	225,000	30,956	230,000	27,300	1,450,000	83,688	2,555,000	256,019
525,000	87,872	535,000	79,259	545,000	70,484	4,065,000	235,504	6,700,000	674,213

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2016	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2016	2017		2018	
					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%	\$ 6,030,000	\$ -	\$ (340,000)	\$ 5,690,000	\$ 360,000	\$ 238,778	\$ 375,000	\$ 224,378
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%	12,025,000	-	(600,000)	11,425,000	625,000	541,031	675,000	519,156
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 an interest rate of 2.50%	11,071,023	-	(615,000)	10,456,023	645,000	261,401	645,000	245,276
Series 2011A \$1,445,000 State Revolving Fund Program Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for ARTP Switchgears. Fully drawn in October 2012. Due in amounts ranging from \$55,000 to \$90,000 through 2031 with an interest rate of 2.50%	1,210,000	-	(60,000)	1,150,000	65,000	28,750	65,000	27,125
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	-	(180,000)	4,645,000	185,000	193,325	250,000	186,800
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, \$1,000,000 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%	2,000,000	-	(1,000,000)	1,000,000	1,000,000	11,250	-	-
Total Genesee County Drain Commission bonds payable	77,666,023	-	(6,390,000)	71,276,023	6,555,000	1,895,323	5,750,000	1,748,260

Summary of Bonds Payable (Continued) Year Ended December 31, 2016

2019		2020		2021		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 395,000	\$ 209,378	\$ 415,000	\$ 193,578	\$ 435,000	\$ 176,978	\$ 3,710,000	\$ 674,923	\$ 5,690,000	\$ 1,718,013
700,000	491,313	750,000	461,563	800,000	428,750	7,875,000	1,867,500	11,425,000	4,309,313
675,000	229,151	675,000	212,276	710,000	195,401	7,106,023	915,609	10,456,023	2,059,114
65,000	25,500	70,000	23,875	70,000	22,125	815,000	115,875	1,150,000	243,250
260,000	178,988	270,000	169,525	270,000	158,725	3,410,000	856,782	4,645,000	1,744,145
-	-	-	-	-	-	-	-	1,000,000	11,250
5,335,000	1,602,818	5,470,000	1,476,491	5,630,000	1,343,989	42,536,023	5,438,880	71,276,023	13,505,761

Genesee County Drain Commissioner

Division of Water and Waste Services

Description of Issue	Principal	Issued During the Year	Retired During the Year	Principal	2017		2018	
	Outstanding January 1, 2016			Outstanding December 31, 2016	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%	\$ 1,175,000	\$ -	\$ (275,000)	\$ 900,000	\$ 285,000	\$ 31,901	\$ 300,000	\$ 19,688
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%	2,455,000	-	(170,000)	2,285,000	180,000	92,235	190,000	84,835
Total Community-related bonds payable	3,630,000	-	(445,000)	3,185,000	465,000	124,136	490,000	104,523
Total Interceptor and Treatment Facilities bonds payable	\$ 81,296,023	\$ -	\$ (6,835,000)	\$ 74,461,023	\$ 7,020,000	\$ 2,019,459	\$ 6,240,000	\$ 1,852,783
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%	\$ 4,405,000	\$ -	\$ (275,000)	\$ 4,130,000	\$ 290,000	\$ 172,338	\$ 305,000	\$ 160,438
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 an interest rate of 2.50%	865,000	-	(50,000)	815,000	50,000	20,375	50,000	19,125
Total Genesee County Drain Commission bonds payable	5,270,000	-	(325,000)	4,945,000	340,000	192,713	355,000	179,563
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%	200,000	-	(100,000)	100,000	100,000	2,750	-	-
Refunding Series 1996A \$12,940,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Refunded Series 2005, \$6,000,000 District No. 3 Treatment Plant Improvement bond. Due serially in various amounts ranging from \$75,000 to \$1,355,000 through 2016 with interest rates from 2.50% to 5.00%	1,325,000	-	(1,325,000)	-	-	-	-	-
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 an interest rate of 4.00%	3,325,000	-	(595,000)	2,730,000	910,000	91,000	915,000	54,500
Total Community-related bonds payable	4,850,000	-	(2,020,000)	2,830,000	1,010,000	93,750	915,000	54,500
Total District No. 3 bonds payable	\$ 10,120,000	\$ -	\$ (2,345,000)	\$ 7,775,000	\$ 1,350,000	\$ 286,463	\$ 1,270,000	\$ 234,063

Summary of Bonds Payable (Continued) Year Ended December 31, 2016

2019		2020		2021		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 315,000	\$ 6,694	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 900,000	\$ 58,283
<u>200,000</u>	<u>77,035</u>	<u>210,000</u>	<u>68,730</u>	<u>220,000</u>	<u>59,860</u>	<u>1,285,000</u>	<u>144,816</u>	<u>2,285,000</u>	<u>527,511</u>
<u>515,000</u>	<u>83,729</u>	<u>210,000</u>	<u>68,730</u>	<u>220,000</u>	<u>59,860</u>	<u>1,285,000</u>	<u>144,816</u>	<u>3,185,000</u>	<u>585,794</u>
\$ 5,850,000	\$ 1,686,547	\$ 5,680,000	\$ 1,545,221	\$ 5,850,000	\$ 1,403,849	\$ 43,821,023	\$ 5,583,696	\$ 74,461,023	\$ 14,091,555
\$ 320,000	\$ 147,938	\$ 335,000	\$ 134,419	\$ 355,000	\$ 119,756	\$ 2,525,000	\$ 355,544	\$ 4,130,000	\$ 1,090,433
<u>50,000</u>	<u>17,875</u>	<u>55,000</u>	<u>16,625</u>	<u>55,000</u>	<u>15,250</u>	<u>555,000</u>	<u>72,000</u>	<u>815,000</u>	<u>161,250</u>
<u>370,000</u>	<u>165,813</u>	<u>390,000</u>	<u>151,044</u>	<u>410,000</u>	<u>135,006</u>	<u>3,080,000</u>	<u>427,544</u>	<u>4,945,000</u>	<u>1,251,683</u>
-	-	-	-	-	-	-	-	100,000	2,750
-	-	-	-	-	-	-	-	-	-
<u>905,000</u>	<u>18,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,730,000</u>	<u>163,600</u>
<u>905,000</u>	<u>18,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,830,000</u>	<u>166,350</u>
\$ 1,275,000	\$ 183,913	\$ 390,000	\$ 151,044	\$ 410,000	\$ 135,006	\$ 3,080,000	\$ 427,544	\$ 7,775,000	\$ 1,418,033

Genesee County Drain Commissioner Division of Water and Waste Services

Description of Issue	Principal Outstanding January 1, 2016	Issued During the Year	Retired During the Year	Principal Outstanding December 31, 2016	2017		2018	
					Principal	Interest	Principal	Interest
Water Supply Systems								
Genesee County Drain Commissioner Bonds Payable:								
Series 2007 \$6,000,000 Revenue Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for North Water Loop III project. Due serially and term in various amounts ranging from \$150,000 to \$450,000 through 2033 with interest rates from 4.00% to 4.40%	\$ 4,790,000	\$ -	\$ (4,790,000)	\$ -	\$ -	\$ -	\$ -	\$ -
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%	33,515,000	-	(840,000)	32,675,000	865,000	1,662,188	900,000	1,627,588
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%	29,075,000	-	(1,250,000)	27,825,000	1,285,000	1,216,488	1,345,000	1,165,088
Series 2015 \$60,000,000 Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant. Due serially in amounts ranging from \$605,000 to \$2,490,000 through 2035 with interest rates from 5.00% to 3.625% and in term amounts of \$15,880,000 and \$22,320,000 with interest of 5.25% and 4.00% in 2040 and 2045, respectively	60,000,000	-	-	60,000,000	-	2,668,819	605,000	2,653,694
Series 2016A \$5,680,000 Drinking Water Revolving Fund Revenue Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water meter upgrade project. Due in amounts ranging from \$250,000 to \$405,000 through 2038 with an interest rate of 2.50%	-	3,664,561	-	3,664,561	-	82,485	-	91,614
Series 2016B \$56,895,000 Revenue and Revenue Refunding Bonds backed by the County of Genesee Limited Tax General Obligation. Bond proceeds used for water treatment plant and refunding Series 2007. Due serially in amounts ranging from \$145,000 to \$2,425,000 through 2036 with interest rates from 5.00% to 3.125% and in term amounts of \$14,825,000 and \$19,515,000 with interest of 4.00% and 5.00% in 2041 and 2046, respectively	-	56,895,000	-	56,895,000	145,000	2,257,229	600,000	2,545,281
Total Genesee County Drain Commission bonds payable	127,380,000	60,559,561	(6,880,000)	181,059,561	2,295,000	7,887,208	3,450,000	8,083,264
Community-related Bonds Payable:								
Series 2011 \$933,515 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Fenton Road Watermain - Bristol to Maple. Fully drawn in July 2012. Due in amounts ranging from \$34,250 to \$59,265 through 2031 with an interest rate of 2.50%	779,265	-	(40,000)	739,265	40,000	17,982	45,000	16,919
Series 2015 \$1,050,000 Drinking Water Revolving Fund Bonds backed by the full faith and credit of the County of Genesee. Bond proceeds used for Dalton Subdivision Watermain Replacement. Will be fully drawn in 2017. Due serially in amounts ranging from \$50,000 to \$80,000 through 2035 with an interest rate of 2.50%	636,741	374,394	(40,000)	971,135	40,000	24,263	40,000	23,278
Total Community-related bonds payable	1,416,006	374,394	(80,000)	1,710,400	80,000	42,245	85,000	40,197
Total Water Supply Systems bonds payable	\$ 128,796,006	\$ 60,933,955	\$ (6,960,000)	\$ 182,769,961	\$ 2,375,000	7,929,453	\$ 3,535,000	8,123,461
Total Genesee County Drain Commission bonds payable	\$ 210,316,023	\$ 60,559,561	\$ (13,595,000)	\$ 257,280,584	\$ 9,190,000	\$ 9,975,244	\$ 9,555,000	\$ 10,011,087
Total Community-related bonds payable	9,896,006	374,394	(2,545,000)	7,725,400	1,555,000	260,131	1,490,000	199,220
Total - All bonds payable	\$ 220,212,029	\$ 60,933,955	\$ (16,140,000)	\$ 265,005,984	\$ 10,745,000	\$ 10,235,375	\$ 11,045,000	\$ 10,210,307

Summary of Bonds Payable (Continued) Year Ended December 31, 2016

2019		2020		2021		Later		Total	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
935,000	1,591,588	975,000	1,554,188	1,020,000	1,505,438	27,980,000	14,984,619	32,675,000	22,925,606
1,410,000	1,111,288	1,475,000	1,040,788	1,560,000	967,038	20,750,000	5,227,994	27,825,000	10,728,681
625,000	2,622,944	670,000	2,590,569	705,000	2,556,194	57,395,000	39,104,522	60,000,000	52,196,741
145,000	89,802	145,000	86,177	150,000	82,489	3,224,561	732,881	3,664,561	1,165,448
600,000	2,515,281	620,000	2,484,781	640,000	2,453,281	54,290,000	40,072,622	56,895,000	52,328,476
3,715,000	7,930,902	3,885,000	7,756,502	4,075,000	7,564,439	163,639,561	100,122,638	181,059,561	139,344,952
45,000.00	15,794	45,000.00	14,669	45,000	13,544	519,265	67,452	739,265	146,360
45,000.00	22,278	45,000.00	21,153	45,000	20,028	756,135	149,647	971,135	260,649
90,000	38,072	90,000	35,822	90,000	33,572	1,275,400	217,099	1,710,400	407,009
\$ 3,805,000	7,968,974	\$ 3,975,000	7,792,324	\$ 4,165,000	7,598,011	\$ 164,914,961	\$ 100,339,737	\$ 182,769,961	\$ 139,751,961
\$ 9,420,000	\$ 9,699,533	\$ 9,745,000	\$ 9,384,037	\$ 10,115,000	\$ 9,043,434	\$ 209,255,584	\$ 105,989,062	\$ 257,280,584	\$ 154,102,396
1,510,000	139,901	300,000	104,552	310,000	93,432	2,560,400	361,915	7,725,400	1,159,153
\$ 10,930,000	\$ 9,839,434	\$ 10,045,000	\$ 9,488,589	\$ 10,425,000	\$ 9,136,866	\$ 211,815,984	\$ 106,350,977	\$ 265,005,984	\$ 155,261,549