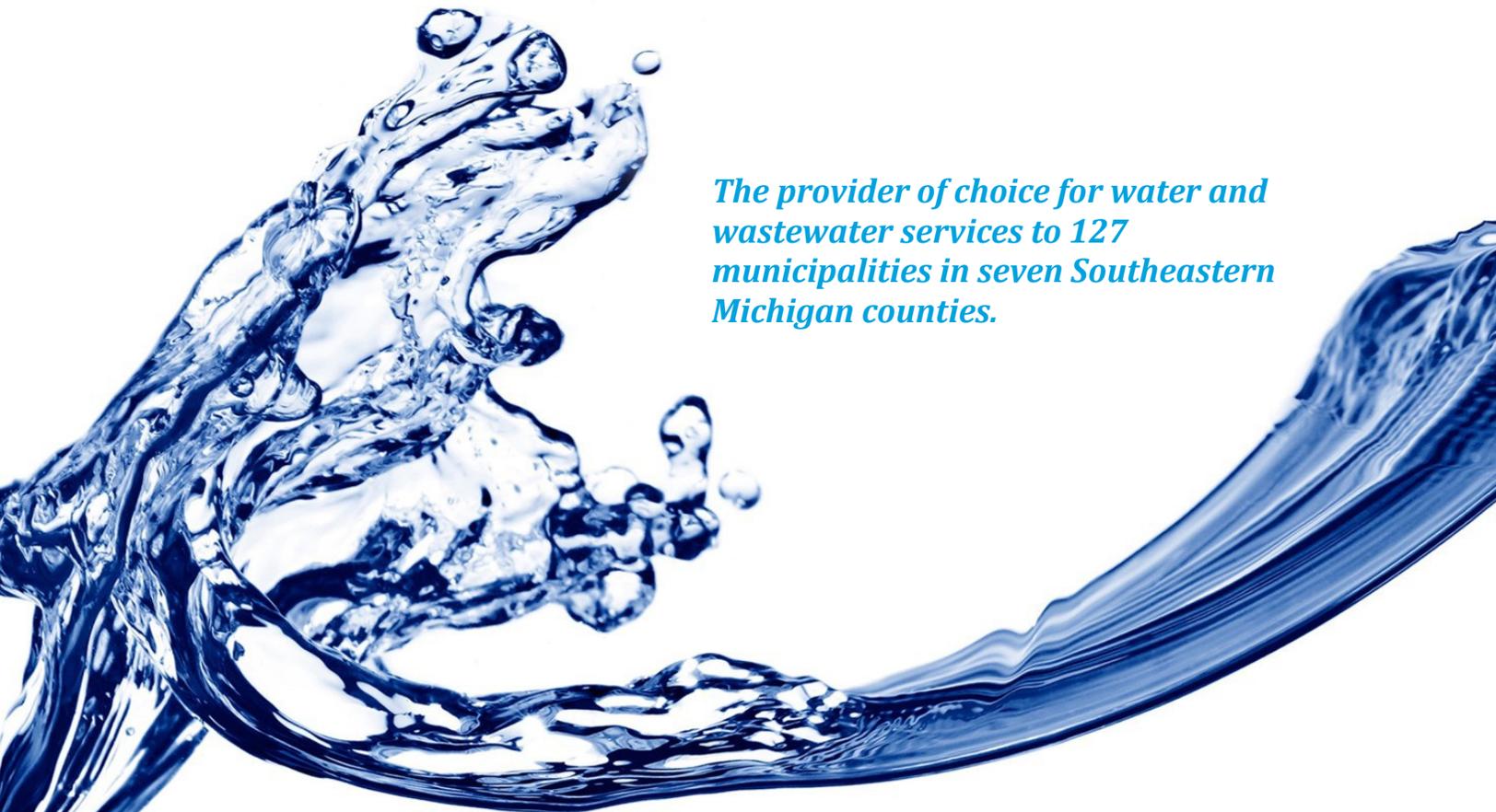


Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



*The provider of choice for water and
wastewater services to 127
municipalities in seven Southeastern
Michigan counties.*



GLWA

Great Lakes Water Authority

Prepared by Great Lakes Water Authority Financial Services

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GREAT LAKES WATER AUTHORITY

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CHIEF EXECUTIVE OFFICER'S TRANSMITTAL LETTER

July 31, 2017

Board of Directors
Great Lakes Water Authority

Dear Members of the Board,

I am pleased to present the inaugural Comprehensive Annual Financial Report (CAFR) of the Great Lakes Water Authority ("GLWA" or "Authority") for the fiscal year ended June 30, 2016. These financial statements were prepared in accordance with U.S. generally accepted accounting principles and audited by a firm of independent certified public accountants.

This report is unique in many ways. First, it represents the capstone on a number of technical legal, financial, and operational conversations that began over four years ago to explore the feasibility of a regional water authority. Second, it presents a roadmap for collaborators in other regions who may wish to optimize their infrastructure and operations. Third, it demonstrates a business case - not only for a regional authority, but for funding local system infrastructure and establishing a meaningful assistance program. Fourth, and most importantly, it shows what can be achieved when leaders are willing to talk to each other and work through complex issues.

Formation of the GLWA

GLWA was incorporated by the City of Detroit (the "City") and the Counties of Macomb, Oakland and Wayne on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended. At the time of GLWA's incorporation, the City, through its Detroit Water and Sewerage Department ("DWSD"), was providing water supply services within and outside of the City through a water supply system (the "Water System") and drainage and sewage disposal services system within and outside of the City through a sewage disposal system (the "Sewer System").

GLWA was incorporated for the purpose of acquiring, owning, leasing, improving, enlarging, extending, financing, refinancing and operating the portion of the Water System (the "Regional Water System") that provides service to the wholesale customers and the retail water customers of the City up to the point of connection to the local Water System facilities of the City and the portion of the Sewer System (the "Regional Sewer System") that provides service to the wholesale customers and the retail sewer customers of the City up to the point of connection to the local Sewer System facilities of the City.

On June 12, 2015, the City and GLWA executed a Regional Water System Lease (the "Water Lease") for City facilities to GLWA for an initial term of 40 years and a Regional Sewage Disposal System Lease (the "Sewer Lease" and together with the Water Lease, the "Leases") for the City facilities constituting the Regional Sewer System (the "Leased Sewer Facilities" and together with the Leased Water Facilities, the "Leased Facilities") to GLWA for an initial term of 40 years, and a Water and Sewer Services Agreement, pursuant to which GLWA provides water and sewer services to retail customers of the City.

The above agreements required the satisfaction of a number of conditions before becoming effective. By January 1, 2016 (the "Effective Date") those conditions were met and GLWA, under the terms of the Leases, became responsible for and assumed:

(i) the debt obligations of the City relating to the Water System, including the payment of all bonds issued by the City to finance improvements to the Water System and outstanding on the Effective Date (the "DWSD Water Bonds"), through the substitution of GLWA for the City as the sole obligor on the DWSD Water Bonds, the assignment to GLWA of all of the revenues of the Water System, and the assumption by GLWA of the DWSD Water Bonds, and

(ii) the debt obligations of the City relating to the Sewer System, including the payment of all bonds issued by the City to finance improvements to the Sewer System and outstanding on the Effective Date (the "DWSD Sewer Bonds"), through the substitution of GLWA for the City as the sole obligor on the DWSD Sewer Bonds, the assignment to GLWA of all of the revenues of the Sewer System, and the assumption by GLWA of the DWSD Sewer Bonds.

With the effective date of operations, GLWA, as a regional water authority, provides drinking water to nearly 40% of the State of Michigan's population and sewer service to nearly 30% of the population.

Objectives Set...Objectives Met

There were seven key objectives in forming the regional authority that have been achieved.

1) Customer Focus - A key policy consideration in the formation of GLWA was a focus on customer engagement. During its formation, GLWA embarked on a robust customer outreach program to gauge customer needs and to ensure that they were properly informed regarding the new authority. Not only did customers unanimously consent to the transfer of their service contracts to GLWA, but in its first year of operations, multiple customers entered into new long-term service arrangements. And, for the first time in many years, potential new customers expressed interest in obtaining service from GLWA.

2) Credit Positive - By formation of an independent legal authority, the Water System and the Sewer System are insulated by the effect of fiscal challenges of any one entity. The Leases and related master bond ordinances also provide for the funding of a budget stabilization fund as a bridge in the event that collections from City retail customers do not meet budgeted target levels.

3) Bondholder Protections - In acquiring the Leased Facilities, GLWA also acquired, and the City absolutely and irrevocably assigned, transferred and conveyed to GLWA, and GLWA purchased and acquired from the City, all of the City's right, title and interest in the regional and local retail revenues of each of the Water System and the Sewer System in existence on the Effective Date and through the end of the term of the Leases. The Leases and related master bond ordinances provide clear bondholder protections in the deposit and disbursement of the revenues. This is important because the entire outstanding liabilities for the DWSD Water Bonds and the DWSD Sewer Bonds transferred to GLWA on the Effective Date. The revenues of both GLWA and DWSD are deposited into a trust established by the related GLWA master bond ordinance. The trustee distributes revenues deposited in the trust in accordance with a flow of funds providing clear direction and transparency and security for GLWA bondholders.

4) Operational Effectiveness - As a new entity, GLWA is in an enviable position to adopt responsible and responsive policies to effectively manage operational and capital programs. This includes a modernized employee benefit plan designed to attract and retain a talented multi-generational workforce with no risk of unfunded liabilities. GLWA has also developed a best-practices procurement policy with expanded implementation of just-in-time delivery, qualifications-based selection, and expanded management approval levels balanced with appropriate internal controls.

5) Closed Loop Lease Payment - The total lease payment of \$50 million per year (\$22.5 million water and \$27.5 million sewer) is paid to DWSD for the benefit of the local water and sewer systems only and cannot be redirected to City General Fund or other uses. The lease payment may only be used to fund: i) debt service on bonds issued to finance the cost of local water and sewer system improvements, (ii) DWSD's share of debt service on bonds issued to finance the cost of common-to-all improvements to the Regional Water System and Regional Sewer System; and/or (iii) cost of improvements to the Detroit local water and sewer systems. The allocation of the lease payment between the local water and sewer systems is subject to review and adjustment by GLWA every three to five years.

6) Annual 4% Revenue Requirement Budget Ceiling - The former DWSD began an optimization process in 2012 to reduce expenses. In addition, DWSD also began the process to stabilize revenues. The objective of both efforts was to vastly improve the long-term sustainability of the Water System and the Sewer System. That optimization effort revealed opportunities to significantly control costs. This resulted in a commitment to preserve the "revenue requirement" for each of the Regional Water System and Regional Sewer System to increase, on an annual basis, by no more than 4%, subject to certain exceptions to satisfy GLWA's rate covenant to bondholders or to pay the cost of improvements required by law. The revenue requirement reflects those items which can be controlled by board policy and good management: controlled expenses, managing debt burden, and increasing cash reserves. This commitment to limit the increase in the revenue requirement was originally memorialized in the memorandum of understanding (MOU) that formed the basis for establishing GLWA and is set forth in each of the Leases.

7) Water Residential Assistance Program - The Water Residential Assistance Program (WRAP) was established as a result of the historic agreement that stood up the Great Lakes Water Authority in 2015. WRAP was officially launched on March 1, 2016 and its day-to-day operations are coordinated for GLWA by its contractual partner, Wayne Metropolitan Community Action Agency.

The program is the first of its kind in Michigan and one of only a few models of sustainable assistance plans in the country. It represents a hallmark of regional collaboration to provide assistance to people in need in the communities that GLWA serves throughout southeast Michigan.

WRAP not only provides direct assistance with bill payment and arrearages, it also provides funds for home audits and fixture repairs and replacements that will conserve system resources and further reduce the amount of homeowners' bills moving forward.

Overview of the Financial Report

This report consists of management's representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, GLWA management has established a comprehensive internal control framework that is designed both to protect the entity's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority's financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended June 30, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that GLWA's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

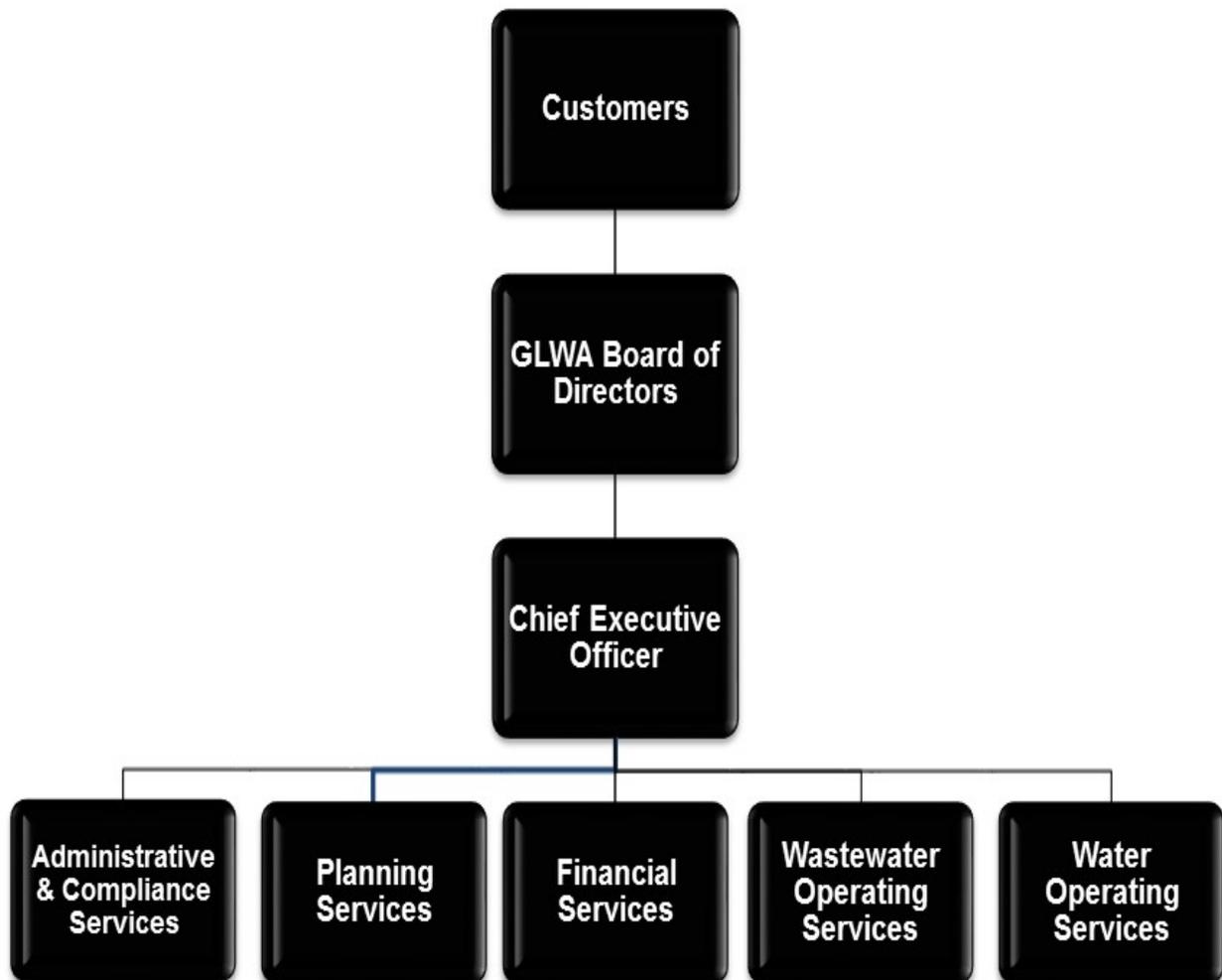
Acknowledgements

Thank you to the chief executives and legislative bodies of each of the incorporating municipalities for your support of GLWA and its mission. Thank you to the Board of Directors of GLWA for maintaining the highest standards of professionalism and patience as we faced competing priorities on a daily basis. Thank you to the 150+ volunteers who supported the concept and worked alongside us in standing up a modern and effective water utility. Thank you to our customer communities, our partners in delivering water of unquestionable quality to this region. Thank you to the talented and hard-working staff of the Great Lakes Water Authority whose effort and dedication provides us with many good things to report.

Sue McCormick
Chief Executive Officer



Organizational Chart



Great Lakes Water Authority Board of Directors

Robert J. Daddow GLWA Board Chairman; Representative for Oakland County
Freman Hendrix GLWA Board Vice Chair; Representative for the City of Detroit
Brian Baker GLWA Board Secretary; Representative for Macomb County
Gary A. Brown GLWA Board Representative for City of Detroit
Craig Hupy GLWA Board Representative for the State of Michigan
Abe Munfakh, PE GLWA Board Representative for Wayne County

Great Lakes Water Authority Executive Leadership Team

Sue F. McCormick Chief Executive Officer
William M. Wolfson Chief Administrative and Compliance Officer/General Counsel
Nicolette N. Bateson, CPA Chief Financial Officer/Treasurer, Financial Services
Cheryl D. Porter Chief Operating Officer - Water & Field Services
Terri Tabor Conerway Chief Organizational Development Officer
Suzanne R. Coffey, PE... Chief Planning Officer/Interim Chief Operating Officer - Wastewater
Michelle A. Zdrodowski Chief Public Affairs Officer
Jeffrey E. Small Chief Information Officer
W. Barnett Jones Chief Security and Integrity Officer

Mission Statement

To exceed our customers' expectations by utilizing best practices in the treatment and transmission of water and wastewater, while promoting healthy communities and economic growth.

INDEPENDENT AUDITORS' REPORT

July 31, 2017

To the Board of Directors of the
Great Lakes Water Authority
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the the business-type activities, each major fund, and the aggregate remaining fund information of the *Great Lakes Water Authority* (the "Authority") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Independent Auditors' 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 auditor 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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Great Lakes Water Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Beginning Balance Bifurcation

As discussed in Note 11, operations of the regional water and sewage disposal system were transferred to a legally-separate Authority on January 1, 2016. As a result, the assets and liabilities that pertain to regional operations of the Detroit Water and Sewerage Department, enterprise funds of the City of Detroit, Michigan were transferred the Authority (a legally-separate entity). Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining and individual fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory section, statistical section and the combining and individual fund schedules are the responsibility of management and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated July 31, 2017 on our consideration of the Authority'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 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 the Authority's internal control over financial reporting and compliance.

Rehmann Lobson LLC

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MANAGEMENT'S DISCUSSION AND ANALYSIS

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The management of the Great Lakes Water Authority (GLWA or Authority) presents this discussion and analysis of GLWA's financial position and changes in financial position as of and for the fiscal year ended June 30, 2016 which includes financial activity from the effective date of operations of January 1, 2016 through June 30, 2016. The Management's Discussion and Analysis (MD&A) should be read in conjunction with GLWA's basic financial statements and the related notes to the financial statements. Capitalized terms not otherwise defined in the MD&A shall have the meaning given such terms in the transmittal letter from the CEO of GLWA that accompanies the financial statements and the MD&A.

Introduction to the Great Lakes Water Authority

Our regional water system is one of the largest in the United States, both in terms of water produced and population served. The Water System currently serves an area of 981 square miles located in eight Michigan counties and an estimated population of nearly 3.9 million or approximately 38% of Michigan's population. Suburban wholesale customers comprise approximately 82% of the population served by the Authority while the retail water customers served by the City of Detroit Water and Sewerage Department (DWSD) comprise the remaining 18%.

Our regional sewer system is also one of the largest in the United States, both in terms of treatment capacity and population served. The Sewer System currently serves an area of 850 square miles located in three Michigan counties and an estimated population of nearly 2.8 million or approximately 28% of Michigan's population. Suburban wholesale customers comprise approximately 75% of the population served by the Authority, while retail sewer customers served by the City of Detroit Water and Sewerage Department comprise the remaining 25%.

Inaugural Audited Financial Report

This is the inaugural audited financial report for the Great Lakes Water Authority. The fiscal year ended June 30, 2016 accounting, budgeting, and implementation of financial policies reflect decisions made from September 2014 through December 31, 2015 leading to an operational effective date of January 1, 2016. During that time, the GLWA Board, supported by a number of professionals and engaged customers worked through significant foundational agreements, events, and staffing matters leading up to the operational effective date of January 1, 2016.

The Road to Launching a Regional Water Authority

To better understand the context of the financial references in this report, we begin with milestone activities surrounding the launch of GLWA.

September 9, 2014 - GLWA is established via a "Memorandum of Understanding Regarding the Formation of the Great Lakes Water Authority" (MOU) signed on September 9, 2014 by the Mayor of the City of Detroit, the Chief Executives of Wayne, Oakland, and Macomb counties, and the Governor of the State of Michigan. The MOU establishes a framework for a regional water and sewer authority to be established pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The purpose of GLWA is to operate, control, and improve the regional assets of both the Water System and Sewer System owned by the City and which were operated by DWSD. DWSD remains in place to be the service provider for the retail system which is largely the City of Detroit customer base. DWSD is GLWA's agent for retail billing and collections.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014 - An Accounting & Finance work group is formed to address many technical (accounting and work flow) and transactional (indebtedness, revenues, and terms and conditions) matters. An early decision is determining that the appropriate accounting guidance was found in Governmental Accounting Standards Board Statement No. 69 (GASB 69), *Government Combinations and Disposals of Government Operations* issued January 2013.

November 26, 2014 - After receiving approval by the legislative bodies of the City of Detroit and counties of Wayne, Oakland, and Macomb, GLWA's Articles of Incorporation are filed with the State of Michigan on November 26, 2014.

December 10, 2014 - The City of Detroit's Chapter 9 Bankruptcy began with the filing on July 18, 2013. On November 12, 2014, the Eighth Amended Plan for the Adjustment of Debts of the City of Detroit Plan of Adjustment (POA) was confirmed by the United States Bankruptcy Court. Less than 30 days later, the City exits bankruptcy on December 10, 2014. This is important to understanding GLWA's finances in two ways: 1) discussions that resulted in the creation of GLWA occurred within the umbrella of the City of Detroit's Chapter 9 Municipal Bankruptcy and 2) certain obligations assumed by GLWA relate to commitments and terms assigned to DWSD prior to the formation of the regional authority which are largely related to legacy pension obligations.

December 12, 2014 - The GLWA Board holds its first meeting. The Board is comprised of six voting members: two members appointed by the Mayor of the City of Detroit, one member appointed by the chief executive officers of each of the counties of Wayne, Oakland, and Macomb, and one member resident of a service area outside the City of Detroit and the counties of Wayne, Oakland and Macomb appointed by the Governor of the State of Michigan.

February 6, 2015 - The GLWA Board Audit Committee consisting of three board members conducts its first regularly scheduled monthly meeting.

June 3, 2015 - The GLWA Board receives an independent financial forecast presentation and report dated May 29, 2015 confirming the financial feasibility of the five-year forecast for GLWA including the ability of GLWA to pay a total annual lease payment of \$50 million per year to DWSD for the benefit of the City's local water and sewer systems.

June 12, 2015 - Key agreements identified in the MOU are presented and approved by the GLWA Board of Directors and Mayor of the City of Detroit: Water Lease, Sewer Lease, and the Water and Sewer Services Agreement.

June 30, 2015 - GLWA reaches its first fiscal year end during the stand-up phase. Up to this point, and continuing through to the targeted operational effective date of January 1, 2016, there was no operational or financial activity. The GLWA Board's activity during that time centered on financial, legal, and operational planning activities to achieve the operational effective date. Expenses for those activities were attributable to the incorporating municipalities as a regional collaboration initiative. Many of the stand-up activities were paid for by a State of Michigan Competitive Assistance Grant of \$3.8 million administered by Oakland County with the local match and other expenses funded by the DWSD. For this reason, there was no audited financial report for the year ended June 30, 2015. Accordingly, on October 15, 2015, the GLWA Board reviewed and waived the audit requirement for fiscal year 2015.

July 29, 2015 - The GLWA Board adopts By-laws for the operation of the Authority.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 14, 2015 - The GLWA Board adopts employment terms for its future employees. As a new employer, GLWA implemented a modern benefit design to attract and retain employees at all phases in their career with no risk of unfunded long-term liabilities. The pension and retiree health benefits both utilize a defined contribution formula. With this milestone achieved, efforts began to develop GLWA offer letters, benefits enrollment, and a communications plan to approximately 850 DWSD employees.

October 7, 2015 - The GLWA Board adopts a Master Bond Ordinance (MBO) for both the water and sewer systems.

October 19, 2015 - The GLWA Board appoints its first Chief Executive Officer, Sue F. McCormick.

October 21, 2015 - The GLWA Board adopts a procurement policy and investment policy.

November 19, 2015 - The GLWA Board approves a budget for the six months from January 1, 2016 through June 30, 2016.

November 19, 2015 - The GLWA Board approves the acquisition of a financial system. Launch of the financial system occurred in late December 2015 with baseline functions in place by mid-March 2016. Concurrently, an implementation of a new human resource and payroll system is in implementation phase to meet the first pay date for the new entity on January 8, 2016.

December 1, 2015 - An agreement is reached among the City of Detroit, City of Detroit General Retirement System (GRS) and GLWA related to the pension obligation assigned to DWSD (or its successor entities) in the City's POA. The POA requires that the DWSD (or its success entities) fund its share of the unfunded accrued actuarial liability (UAAL) attributable to the frozen defined benefit pension over a nine-year period through fiscal year 2023 and acknowledges that there will be a variance between the UAAL and payments made in year ten. Section 4.3 of each of the Leases requires the Authority to pay an allocable portion of that pension obligation. The pension agreement among the City, GRS and GLWA outlines terms surrounding the payments, administrative fees, accounting, actuarial, and reporting requirements of GRS and its auditors and actuaries.

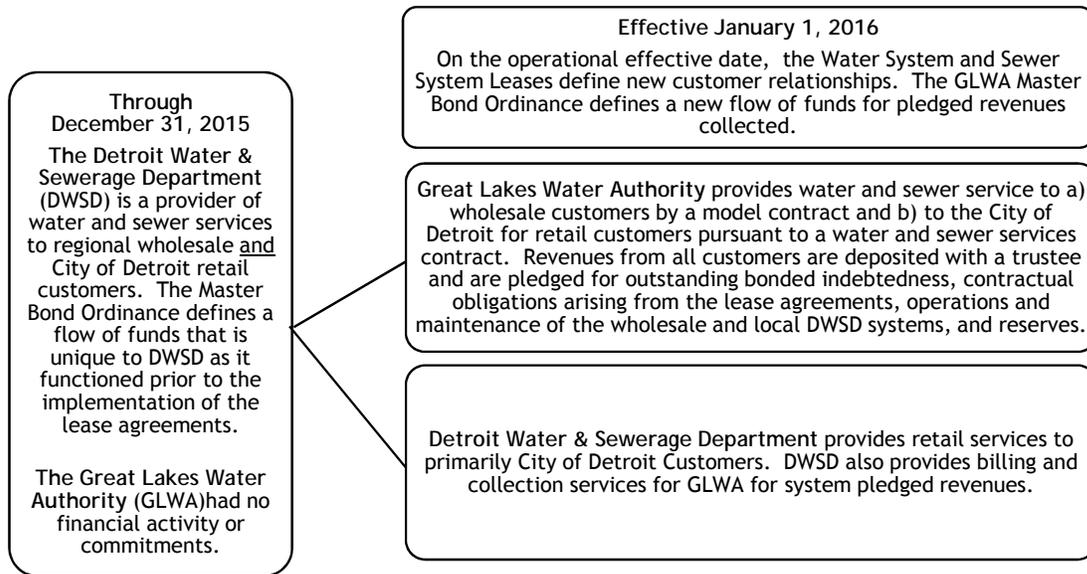
December 9, 2015 - After conducting a public hearing, the GLWA Board unanimously adopts a budget for a six-month period from January 1, 2016 (effective date of operations) through June 30, 2016 (end of annual fiscal year). On this date, the Board also adopts a debt management policy.

December 17, 2015 - The GLWA Board determines that all conditions precedent have been satisfied to accept an operational effective date of January 1, 2016. This included execution of the Leases, Water and Sewer Services Agreement, a Shared Services Agreement, and the GRS pension agreement; adoption of a master bond ordinance for both the Water System and the Sewer System; confirmation from the Michigan Department of Environmental Quality that all permits were secured for the Leased Facilities; certification from the bond trustee that no less than 51% of bondholders of the outstanding DWSD Water Bonds and DWSD Sewer Bonds, respectively, consented to the adoption by GLWA of the Master Bond Ordinances for the Water System and the Sewer System and to the assumption by GLWA of the outstanding DWSD Water Bonds and DWSD Sewer Bonds on the Effective Date; certification from the feasibility consultant that GLWA had the ability to issue at least one dollar of additional indebtedness at each level of lien priority pursuant to the Additional Bonds Test set forth in the Master Bond Ordinance for each system; legal opinions that each Lease is valid, binding, and enforceable and that the rates adopted by DWSD for fiscal year 2016 for the wholesale and City customers are binding and effective; and all necessary consents to the assignment of the wholesale customer contracts.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

January 1, 2016 - The operational effective date established is achieved with the completion of the conditions precedent noted above. On this date, the lease transaction is recorded based upon the guidance provided by GASB 69. Equally important to the accounting treatment is the requirement of the flow of funds in the related Master Bond Ordinance. The chart below depicts new customer relationship definitions and the importance of the flow of funds. The effective date of the Leases also establishes defined terms for accounting and financial reporting purposes. This will be addressed throughout the MD&A.



Opening Net Position Highlights

GLWA assumed operations on January 1, 2016 and established its opening balances through the bifurcation of DWSD's statement of net position as of December 31, 2015 and the application of the guidance provided in GASB 69 for the acquisition of government operations. There are several categories where existing assets and liabilities were assumed by GLWA; in other instances, new assets and liabilities were created. Key beginning balance considerations included the following:

Assets and Liabilities Assumed by GLWA

- Capital assets subject to the Leases are recorded at "acquisition value" based upon an inventory valuation performed by a certified appraisal firm. The result was a net write-up from the predecessor entity's net book value resulting in a total of capital assets at acquisition (excluding construction work in process) of \$2.5 billion (write up of \$1.27 billion) for the water system capital assets and \$3.2 billion (write up of \$1.05 billion) for the sewer system capital assets.

To some extent, that increase in value assuages concerns about the value of assets assumed pursuant to the Leases. A new factor for GLWA's financial planning is an increased asset base that results in higher annual depreciation. In addition, the depreciable lives were reviewed and, in several cases shortened, which also increases annual depreciation expense.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The outstanding bonded indebtedness of the predecessor entity was assumed in its entirety by GLWA. GASB 69 also requires adjustment to acquisition value. The result was a value of \$2.6 billion (write up of \$150.5 million) for the Water System bonded indebtedness and a value of \$3.5 billion (write up of \$61.5 million) for the Sewer System bonded indebtedness.
- The net pension liability represents the Regional Systems' share of the frozen, defined benefit City of Detroit General Employees' Retirement System (GRS) pension assigned to DWSD in the City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment. On January 24, 2017, after a historical cost allocation, the parties agreed that 70.3% of the liability was allocable to the GLWA regional operations and 29.7% to DWSD. That allocation is further subdivided between the Water System and the Sewer System. This resulted in an opening balance of \$170.2 million in total with \$61.0 million allocated to the Water System and \$109.2 million allocated to the Sewer System.
- The obligation payable represents the Regional Systems' share of the BC Note Obligation assigned to DWSD in the City of Detroit's Chapter 9 Bankruptcy Plan of Adjustment. The BC Note Obligation refers to the debt service on City of Detroit Financial Recovery Bonds dated December 10, 2014. Those bonds were issued to satisfy claims relating to the City's pension obligation certificates and postemployment healthcare benefits. GLWA's portion of the liability was estimated at 70.3% of the total liability consistent with the allocation applied to the net pension liability. That obligation payable allocation is further subdivided and resulted in an opening balance of \$57.6 million in total with \$17.7 million to the Water System and \$39.9 million allocated to the Sewer System.
- The acquisition value of assets acquired exceeded the liabilities assumed by \$736.5 million in total with \$457.9 million attributable to the Water System and \$278.6 million attributable to the Sewer System. In accordance with GASB 69, the opening capital assets were adjusted by that amount to establish a beginning net position of zero.
- The remaining assets acquired include all cash, investments, accounts receivable and other assets. Also assumed were all accounts payable, accrued liabilities, and other liabilities.

New Assets and Liabilities to Record Lease Activities

- A new asset is the contractual obligation receivable with an acquisition value of \$850 million in total with \$475 million for the Water System and \$375 million for the Sewer System. The interest rate is 5.15% for the Water System and 4.71% for the Sewer System. This represents DWSD's allocable portion of the long-term bonded indebtedness acquired by GLWA on January 1, 2016. This is one area where DWSD and GLWA continue to discuss implementation matters which will eventually be finalized in a memorandum of understanding. GLWA recorded the amount based upon the most recent discussions in June 2017. To the extent that the final agreed-upon amount changes, it will be considered a change in estimate.
- The lease payable is the net present value of the lease payment of \$50 million per year for 40 years payable to the DWSD with \$22.5 million paid to the DWSD local water system and \$27.5 million paid to the DWSD local sewer system based on a 4.17% borrowing rate for both systems. The net present value of the lease payable resulted in an opening balance of \$975.6 million in total with \$439.0 million allocated to the Water System and \$536.6 million allocated to the Sewer System.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Highlights

- Total business-type current assets of \$810.2 million exceed current liabilities of \$323.8 million by \$486.4 million in total or 2.5 times. For the Water System, current assets of \$365.4 million exceed current liabilities of \$151.1 million by \$214.3 million in total or 2.4 times. For the Sewer System, current assets of \$444.7 million exceed current liabilities of \$172.7 million by \$272.0 million in total or 2.6 times.
- The liabilities and deferred inflows of resources of the business-type activities exceeded the assets and deferred outflows of resources as of June 30, 2016 by \$14.6 million (a net deficit). The net deficit for the water fund was \$4 million and \$10.6 million for the sewage disposal fund. This is equal to the decrease in GLWA's net position for the six months ended by \$14.6 million since the Authority and each fund began the fiscal year with a net position of zero.
- The largest category of expense is depreciation at \$157.3 million in total with \$71.3 million for water and \$86.0 million for sewer. As noted earlier, this proportionally higher level of depreciation is due to the increase in the value of capital assets as well as a decrease in the estimated useful lives for some asset categories. The second largest category of expense is interest expense at \$148.4 million in total with \$66.0 million for water and \$82.4 million for sewer.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of the following:

- The *statement of net position* presents information on all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the residual reported as net position.
- The *statement of revenues, expenses and changes in net position* presents information showing how the Authority's net position changed during for the first six months of operation. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.
- The *statement of cash flows* presents the change in the Authority's cash and investments related to activity in the fiscal year.
- The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. These schedules provide additional financial, budgetary, statistical, trend, and economic information that may be helpful to the readers of these financial statements.

The Authority presents its supplementary financial information classified into three components that align with the Authority's strategic and budgetary focus of managing capital investment for both the Regional Water System and Regional Sewer System: 1) operation and maintenance (low capital investment), 2) improvement and extension (moderate capital investment and financial mechanism to lower the cost of capital over the long term), and 3) construction projects (high capital investment). The water and sewage disposal funds together comprise the activity of these three components of the Authority in total. The separate water and sewage disposal funds are required by the related Master Bond Ordinance, a separate credit rating is established for each fund, and the customers and services provided of each system are separate and distinct.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

Summaries of the basic financial statements and related commentaries are presented below.

Net Position

Net position is defined by the accounting standards as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. A net deficit occurs when the liabilities and deferred inflows exceed assets and deferred outflows. Deferred inflows and deferred outflows generally relate to financing activity and GLWA's share of the GRS pension obligation. In total, GLWA ended June 30, 2016 with a \$14.7 million net deficit. The net deficit for the water fund was \$4.1 million and \$10.6 million for the sewage disposal fund.

There are three general components of a net position or deficit: 1) net investment in capital assets (in its simplest form, capital assets acquired less debt incurred to acquire those assets); 2) restricted (such as legally required bond reserves or net proceeds from bonds restricted for capital spending); and 3) unrestricted.

Investments in capital assets is the largest component of the net position with a total balance of \$851.7 million (\$400.2 million the water fund and \$451.5 for the sewage disposal fund). Increases during the year were attributable to the acquisition of assets and repayment of debt which were both largely offset by depreciation expense.

Net position restricted for debt service represents amounts that are required by the related Master Bond Ordinance or other third party agreements to be used for the repayment of debt. The total amount restricted at year end was \$135.6 million with \$26.8 million in the water fund and \$108.8 million for the sewage disposal fund.

Net position restricted for capital acquisition represents unspent bond proceeds of \$164.3 million in total (all of which is in the sewage disposal fund). The balance of \$0 in the Water System construction bond account was replenished in October 2016 with the issuance of the Authority's inaugural water system revenue bonds issue which netted \$225.9 million of net bond proceeds.

The remaining unrestricted deficit is significant: a total of \$1.17 billion with \$432.1 million for the water fund and \$735.2 for the sewage disposal fund. Unrestricted net position (deficit) is generally defined as the net result of the other components of net position. This unrestricted deficit is representative of numerous cumulative historical financial activities over many years (through the predecessor entity). Addressing this deficit is a top priority for the GLWA Board and management. The GLWA continues to optimize its operations, adopted a biennial budget for fiscal years 2018 and 2019, and recently released the inaugural five-year financial plan document which will be updated every year during the annual budget process. With the completion of GLWA's inaugural audit, a baseline measure has been defined to further align budget and accounting basis forecasts with financial strategies, operational plans, and capital investment objectives.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Net Position		
	Water Fund	Sewage Disposal Fund	Total
Current and other assets	\$ 771,758,714	\$ 728,741,430	\$ 1,500,500,144
Restricted assets	129,159,561	327,751,586	456,911,147
Capital assets	2,143,612,500	2,995,767,403	5,139,379,903
Total assets	<u>3,044,530,775</u>	<u>4,052,260,419</u>	<u>7,096,791,194</u>
Deferred outflows of resources	<u>130,132,511</u>	<u>236,523,989</u>	<u>366,656,500</u>
Long-term debt	2,524,474,799	3,448,193,379	5,972,668,178
Net pension liability	61,021,079	109,208,359	170,229,438
Other liabilities	573,587,274	713,930,000	1,287,517,274
Total liabilities	<u>3,159,083,152</u>	<u>4,271,331,738</u>	<u>7,430,414,890</u>
Deferred inflows of resources	<u>19,671,729</u>	<u>28,044,955</u>	<u>47,716,684</u>
Net position			
Investment in capital assets	400,187,482	451,547,037	851,734,519
Restricted for debt service	69,797,836	108,742,193	178,540,029
Restricted for capital acquisition	-	164,326,618	164,326,618
Restricted for payment assistance program	977,278	-	977,278
Unrestricted (deficit)	<u>(475,054,191)</u>	<u>(735,208,133)</u>	<u>(1,210,262,324)</u>
Total net position	<u>\$ (4,091,595)</u>	<u>\$ (10,592,285)</u>	<u>\$ (14,683,880)</u>

Change in Net Position

Water Fund

Wholesale water customer charges of \$160.8 million account for 96.0% of Water System revenues from 85 customers. Significant collaboration among stakeholders resulted in wholesale water revenue stability based on two fundamental changes to the wholesale water charge structure beginning with charges in effect as of July 1, 2015. The outcome was 1) replacing the annual sales volumes in the wholesale customer service contracts with amounts that reflect the average annual sales for each customer from the 24 prior months ending September 2014 and 2) recovering fixed monthly charges based on 60% versus approximately 40% in the prior charges. Fiscal year 2016 revenue billed was 101% of budget meeting the goal of revenue stability.

Local system revenues of \$6.8 million account for 4.1% of the total revenue. The local (DWSD) system benefits from a \$20.7 million credit adjustment in the charge methodology that represented a previous ownership benefit that was set at a fixed amount in the water and sewer services agreement.

Operating income after operating expenses (including depreciation) equals \$46.8 million or 27.9% of revenue.

Depreciation is the largest operating expense at \$71.3 million or 59.0% of operating expense. The remaining 41% of operating expenses include centralized services (\$18.5 million or 15.3% of total expenses including field services, meter operations, systems control, information technology, and fleet services), utilities (\$12.4 million or 10.2% of total expenses), and personnel (\$8.3 million or 6.9% of total expenses).

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The largest category of nonoperating activities is interest expense of \$66.0 million which is net of capitalized interest on construction work in progress. Interest expense is largely attributable to debt service (\$59.1 million) with the remainder related to the Water Lease and obligation payable.

Sewage Disposal Fund

Wholesale customer charges of \$121.1 million account for 52.5% of Sewer System revenues from 21 customers. Significant collaboration among stakeholders resulted in the second year of rate simplification whereby whole customer charges are based on a “share” percentage of the annual budget billed on one-twelfth each month resulting in no revenue shortfall or overestimation. Local system revenues of \$95.8 million account for 41.6%. The local (DWSD) system benefits from a \$5.516 million credit adjustment in the rate methodology that represented a previous ownership benefit that was set at a fixed amount in the water and sewer services agreement. The remaining 5.9% of revenue is due to other charges.

Operating income after operating expenses (including depreciation) equals \$60.0 million or 26.0% of revenue.

Depreciation is the largest operating expense at \$86.0 million or 50.5% of operating expense. The remaining 49.5% of operating expenses include centralized services (\$16.7 million or 9.8% of total expenses including field services, meter operations, systems control, information technology, and fleet services), supplies and other expenses (representing maintenance activities of \$16.4 million or 9.8% of total expenses), and contractual services (representing contracted operations of the bio-solids dryer facility and other operating activities at \$13.9 million or 6.9% of total expenses).

The largest category of nonoperating activities is interest expense of \$82.5 million which is net of capitalized interest on construction work in progress. Interest expense is largely attributable to debt service (\$73.3 million) with the remainder related to the Sewer Lease obligation payable.

	Change in Net Position *		
	Water Fund	Sewage Disposal Fund	Total
Operating revenues	\$ 167,665,532	\$ 230,464,969	\$ 398,130,501
Operating expenses	120,841,204	170,401,050	291,242,254
Operating income	46,824,328	60,063,919	106,888,247
Nonoperating expenses	(50,915,923)	(72,656,204)	(123,572,127)
Loss before contributions	(4,091,595)	(12,592,285)	(16,683,880)
Capital contributions from debt forgiveness	-	2,000,000	2,000,000
Change in net position	(4,091,595)	(10,592,285)	(14,683,880)
Net position, beginning	-	-	-
Net position, end of year	\$ (4,091,595)	\$ (10,592,285)	\$ (14,683,880)

* Financial operations commenced on January 1, 2016, so this schedule includes only six months of activity.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital assets. GLWA's investment in capital assets as of June 30, 2016 is \$5.1 billion (net of accumulated depreciation) with \$2.1 billion assigned to the Water System and \$3.0 billion assigned to the Sewer System. This investment in capital assets includes land, buildings, plants, transmission lines, vehicles and other equipment. Total net capital assets decreased by \$123.9 million or 2.4%. The net decrease is primarily attributable to depreciation in excess of current year additions.

Water System additions for the six months of operating activity were largely due to construction work-in-progress of \$20.2 million.

- Approximately one-half of that amount, \$10.9 million, is due to the 1958 Filter Rehabilitation at the Springwells Water Treatment Plant (CIP Project #114001; CS-1425/SP-563). Life to date costs through June 30, 2016 are \$71.4 million with a total estimated cost of \$77.4 million and a completion date in fiscal year 2018.
- The remaining \$9.3 million is attributable to 40 projects that are either near closeout in FY 2017, are small projects, or are design and study for larger projects because of the GLWA Water Master Plan dated August 14, 2015 and accepted by the GLWA during fiscal year 2016.

Sewer System additions for the six months of operating activity were also largely due to construction work-in-progress of \$16.5 million. Of that amount, \$8.1 million is due to the three projects below:

- Sewage Incinerator Improvements costs of \$4.9 million (CIP Project #213003; PC-791). Life to date costs through June 30, 2016 are \$34.5 million with a total estimated cost of \$36 million and a completion date in fiscal year 2017.
- Test Biosolids Dryer (post project closeout costs) of \$1.4 million (CIP Project #213004; PC-792). Life to date costs through June 30, 2016 are \$1.4 million with a total estimated cost of \$1.8 million and a completion date in fiscal year 2019.
- Pump Station 1 Rack & Grit and Main Plant Influent (MPI) Sampling Station 1 Improvements (rehabilitate aging rack and grit system for efficient removal of grit to reduce loading on downstream process areas) of \$1.7 million (CIP Project #211004; PC-789). Life to date costs through June 30, 2016 are \$18.3 million with a total estimated cost of \$21.5 million and a completion date in fiscal year 2019.
- The remaining \$8.5 million is attributable to 32 projects that are either near closeout in fiscal year 2017, are small projects, or are design and study for larger projects. It should be noted that GLWA launched a Sewer Master Plan process during fiscal year 2017.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

	GLWA's Capital Assets, Net		
	Water Fund	Sewage Disposal Fund	Total
Land	\$ 34,244,101	\$ 28,733,333	\$ 62,977,434
Easements	258,632,397	96,211,323	354,843,720
Construction in progress	122,681,592	170,931,602	293,613,194
Site improvements	53,116,787	32,882,321	85,999,108
Buildings and structures	537,554,575	1,032,764,474	1,570,319,049
Infrastructure	567,236,217	589,953,131	1,157,189,348
Machinery and equipment	568,857,111	1,043,136,101	1,611,993,212
Vehicles	1,289,720	1,155,118	2,444,838
Total	\$ 2,143,612,500	\$ 2,995,767,403	\$ 5,139,379,903

Additional information on the Authority's capital assets can be found in Note 5.

Long-term Debt. At year-end, the Authority had \$5.5 billion of long-term debt. All the outstanding bonds are revenue bonds, including capital appreciation bonds and state revolving fund loans. Approximately 9.4% of the total indebtedness is issued through the State of Michigan revolving fund loan program primarily for the benefit of the Sewer System. The Water System did not incur any new borrowings during the six months ended June 30, 2016. During that same time, the Sewer System received \$22.8 million in new state revolving fund loans and received \$2 million in loan forgiveness.

	GLWA's Outstanding Debt		
	Water Fund	Sewage Disposal Fund	Total
Revenue bonds	\$ 2,260,675,000	\$ 2,739,665,000	\$ 5,000,340,000
Capital appreciation bonds		24,165,000	24,165,000
State revolving loans	17,383,761	506,435,742	523,819,503
Total	\$ 2,278,058,761	\$ 3,270,265,742	\$ 5,548,324,503

GLWA received positive ratings action from all three rating agencies in its first nine months of operations. Presently, Fitch Ratings has rated senior lien debt at A and second lien at A-; Standard & Poor's has rated senior lien debt at A- and second lien at BBB+; and Moody's has rated senior lien debt at A3 and second lien at Baa1.

Additional information on the Authority's long-term debt can be found in Note 7.

GREAT LAKES WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors Affecting Next Year's Operations and Rates

On May 25, 2016, the GLWA Board adopted the inaugural biennial budget for the Great Lakes Water Authority for fiscal 2017 and 2018. That two-year financial plan remains true to a foundational commitment to control the budget within a 4% cap.

Due to Water System volume fluctuations, as well an anticipation that the Genesee County Drain Commission comes offline in 2017 resulting in an \$18.2 million in revenue loss, Water System charges to customers reflect a 4.5% system-wide revenue increase. The impact to suburban wholesale customers is 4.3%.

Suburban wholesale sewer customers experienced a 4.9% increase due to a 1.5% adjustment for City of Highland Park bad debt. For fiscal year 2017, it is anticipated that there is no collection of Highland Park sewer charges. In addition, the sewer charges include year one of five for recovering 20% of Highland Park's outstanding bad debt. The GLWA continues to pursue collection efforts with Highland Park. To the extent that those collection efforts are successful, the Highland Park bad debt charge to suburban wholesale customers will be reduced in the subsequent year.

Requests for Information

This financial report is designed to provide a general overview of GLWA's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Great Lakes Water Authority, Office of the Chief Financial Officer, 735 Randolph, Detroit, Michigan 48226.

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BASIC FINANCIAL STATEMENTS

GREAT LAKES WATER AUTHORITY

Statement of Net Position

Enterprise Funds

June 30, 2016

	Enterprise Funds		Total Business-type Activities
	Water Fund	Sewage Disposal Fund	
Assets			
Current assets:			
Cash and cash equivalents	\$ 155,712,891	\$ 156,022,295	\$ 311,735,186
Restricted cash and cash equivalents	53,028,844	81,181,424	134,210,268
Restricted cash on deposit with trustee	10,430	51,648	62,078
Investments	11,579,681	32,041,080	43,620,761
Restricted investments	27,818,000	28,843,000	56,661,000
Receivables:			
Billed	37,629,170	48,046,934	85,676,104
Unbilled	32,307,945	23,037,391	55,345,336
Other	21,899,046	92,748,989	114,648,035
Allowance for doubtful accounts	(25,040,612)	(98,968,630)	(124,009,242)
Due from other governments	41,486,157	66,202,143	107,688,300
Contractual obligation receivable	6,851,584	5,077,675	11,929,259
Due from other funds	-	65,971	65,971
Prepaid items	2,183,690	407,359	2,591,049
Inventories	-	9,984,063	9,984,063
Total current assets	365,466,826	444,741,342	810,208,168
Noncurrent assets:			
Restricted cash and cash equivalents	5,460,942	155,488,780	160,949,722
Restricted investments	42,841,345	62,186,734	105,028,079
Contractual obligation receivable	466,317,666	366,254,075	832,571,741
Assets not subject to depreciation	415,558,090	295,876,258	711,434,348
Capital assets being depreciated, net	1,728,054,410	2,699,891,145	4,427,945,555
Prepaid insurance on debt	20,831,496	27,822,085	48,653,581
Total noncurrent assets	2,679,063,949	3,607,519,077	6,286,583,026
Total assets	3,044,530,775	4,052,260,419	7,096,791,194
Deferred outflows of resources			
Deferred loss on refunding	116,511,949	212,147,508	328,659,457
Deferred pension amounts	13,620,562	24,376,481	37,997,043
Total deferred outflows of resources	130,132,511	236,523,989	366,656,500

continued...

GREAT LAKES WATER AUTHORITY

Statement of Net Position

Enterprise Funds
June 30, 2016

	Enterprise Funds		Total Business-type Activities
	Water Fund	Sewage Disposal Fund	
Liabilities			
Current liabilities:			
Accounts and contracts payable	\$ 49,474,527	\$ 36,152,087	\$ 85,626,614
Accrued salaries, wages and benefits	2,887,280	-	2,887,280
Other accrued liabilities	875,796	674,458	1,550,254
Due to other governments	13,668,890	24,225,013	37,893,903
Due to other funds	65,971	-	65,971
Interest payable	37,226,125	43,912,888	81,139,013
Current portion of:			
Long-term debt	35,650,167	60,902,189	96,552,356
Obligation payable	152,193	342,331	494,524
Lease payable	4,429,876	5,414,293	9,844,169
Accrued compensated absences	1,784,746	454,630	2,239,376
Accrued workers' compensation	395,788	390,165	785,953
Claims and judgments	4,494,694	269,250	4,763,944
Total current liabilities	151,106,053	172,737,304	323,843,357
Noncurrent liabilities:			
Other noncurrent liabilities	2,710,092	5,912,693	8,622,785
Long-term debt	2,488,824,632	3,387,291,190	5,876,115,822
Obligation payable	17,425,306	39,195,045	56,620,351
Long-term lease payable	430,921,520	526,681,859	957,603,379
Accrued compensated absences	3,511,934	-	3,511,934
Accrued workers' compensation	3,562,536	4,390,938	7,953,474
Claims and judgments	-	25,914,350	25,914,350
Net pension liability	61,021,079	109,208,359	170,229,438
Total noncurrent liabilities	3,007,977,099	4,098,594,434	7,106,571,533
Total liabilities	3,159,083,152	4,271,331,738	7,430,414,890
Deferred inflows of resources			
Deferred amounts swap termination	4,134,908	238,978	4,373,886
Deferred pension amounts	15,536,821	27,805,977	43,342,798
Total deferred inflows of resources	19,671,729	28,044,955	47,716,684
Net position			
Investment in capital assets	400,187,482	451,547,037	851,734,519
Restricted for debt service	69,797,836	108,742,193	178,540,029
Restricted for capital acquisition	-	164,326,618	164,326,618
Restricted for payment assistance program	977,278	-	977,278
Unrestricted (deficit)	(475,054,191)	(735,208,133)	(1,210,262,324)
Total net position (deficit)	\$ (4,091,595)	\$ (10,592,285)	\$ (14,683,880)

concluded.

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

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GREAT LAKES WATER AUTHORITY

Statement of Revenues, Expenses and Changes in Fund Net Position

Enterprise Funds

For the Year Ended June 30, 2016 *

	Enterprise Funds		Total Business-type Activities
	Water Fund	Sewage Disposal Fund	
Operating revenues			
Wholesale customer charges	\$ 160,777,169	\$ 121,106,353	\$ 281,883,522
Industrial waste charges	-	6,910,192	6,910,192
Pollutant surcharges	-	2,423,910	2,423,910
Local system charges	6,833,500	95,826,900	102,660,400
Other revenues	54,863	4,197,614	4,252,477
Total operating revenues	167,665,532	230,464,969	398,130,501
Operating expenses			
Personnel	8,301,022	13,289,741	21,590,763
Contractual services	3,304,113	13,875,756	17,179,869
Utilities	12,368,557	12,668,942	25,037,499
Chemicals	2,444,543	4,006,941	6,451,484
Centralized services	18,494,851	16,733,431	35,228,282
Administrative services	3,191,929	7,342,499	10,534,428
Supplies and other expenses	1,440,644	16,462,711	17,903,355
Depreciation	71,295,545	86,021,029	157,316,574
Total operating expenses	120,841,204	170,401,050	291,242,254
Operating income	46,824,328	60,063,919	106,888,247
Nonoperating revenues (expenses)			
Earnings on investments	392,031	1,089,367	1,481,398
Interest income	12,231,250	8,831,250	21,062,500
Interest expense, net of capitalized interest	(65,958,095)	(82,489,347)	(148,447,442)
Amortization of debt related items	2,418,891	(363,167)	2,055,724
Gain on disposal of capital assets	-	275,693	275,693
Total nonoperating expenses	(50,915,923)	(72,656,204)	(123,572,127)
Loss before contributions	(4,091,595)	(12,592,285)	(16,683,880)
Capital contributions from debt forgiveness	-	2,000,000	2,000,000
Change in net position	(4,091,595)	(10,592,285)	(14,683,880)
Net position, beginning of year	-	-	-
Net position (deficit), end of year	\$ (4,091,595)	\$ (10,592,285)	\$ (14,683,880)

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

* Financial operations commenced on January 1, 2016, so this statement includes only six months of activity.

GREAT LAKES WATER AUTHORITY

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2016 *

	Enterprise Funds		Total Business-type Activities
	Water Fund	Sewage Disposal Fund	
Cash flows from operating activities			
Cash received from customers	\$ 138,281,186	\$ 245,040,774	\$ 383,321,960
Cash received from interfund services provided	(60,947,431)	60,947,431	-
Cash payments to suppliers for goods and services	(29,532,223)	(40,260,702)	(69,792,925)
Cash payments to employees for services	(40,750,509)	(60,695,572)	(101,446,081)
Net cash provided by (used in) operating activities	7,051,023	205,031,931	212,082,954
Cash flows from noncapital financing activities			
Proceeds from issuance of long-term debt	-	22,838,692	22,838,692
Proceeds from capital contribution	-	2,000,000	2,000,000
Proceeds from fire remediation	-	4,000,000	4,000,000
Principal payments	(35,625,000)	(43,855,000)	(79,480,000)
Interest payments	(85,305,683)	(68,556,287)	(153,861,970)
Purchase of capital assets	(20,666,584)	(18,179,017)	(38,845,601)
Receipt of cash associated with transfer of operations	421,010,047	471,794,999	892,805,046
Net cash used in noncapital financing activities	279,412,780	370,043,387	649,456,167
Cash flows from investing activities			
Purchase of investments	(2,634,951)	(69,180,974)	(71,815,925)
Interest received	12,623,281	9,920,617	22,543,898
Net cash provided by (used in) investing activities	9,988,330	(59,260,357)	(49,272,027)
Net change in cash and cash equivalents	296,452,133	515,814,961	812,267,094
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	\$ 296,452,133	\$ 515,814,961	\$ 812,267,094
Statement of net position classification of cash and investments			
Cash and cash equivalents	\$ 155,712,891	\$ 156,022,295	\$ 311,735,186
Restricted cash and cash equivalents	53,028,844	81,181,424	134,210,268
Restricted cash on deposit with trustee	10,430	51,648	62,078
Investments	11,579,681	32,041,080	43,620,761
Restricted investments	27,818,000	28,843,000	56,661,000
Noncurrent restricted cash and cash equivalents	5,460,942	155,488,780	160,949,722
Noncurrent restricted investments	42,841,345	62,186,734	105,028,079
Total	\$ 296,452,133	\$ 515,814,961	\$ 812,267,094

continued...

GREAT LAKES WATER AUTHORITY

Statement of Cash Flows

Enterprise Funds

For the Year Ended June 30, 2016 *

	Enterprise Funds		Total Business-type Activities
	Water Fund	Sewage Disposal Fund	
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 46,824,328	\$ 60,063,919	\$ 106,888,247
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation	71,295,545	86,021,029	157,316,574
Amortization of debt related items	2,881,288	32,925,419	35,806,707
Changes in:			
Receivables:			
Billed	(7,529,168)	257,151	(7,272,017)
Unbilled	(2,212,465)	14,781,073	12,568,608
Other	20,844,567	45,579,646	66,424,213
Allowance for doubtful accounts	(6,869,666)	(10,346,176)	(17,215,842)
Due from other governments	(35,448,364)	(39,364,139)	(74,812,503)
Contractual obligation receivable	1,830,750	3,668,250	5,499,000
Due from other funds	67,222,554	84,104,326	151,326,880
Prepaid items	(1,594,435)	(136,931)	(1,731,366)
Inventories	-	1,610,748	1,610,748
Accounts and contracts payable	19,434,793	8,462,001	27,896,794
Accrued salaries, wages and benefits	1,113,931	(751,142)	362,789
Other accrued liabilities	(32,989,422)	(33,441,162)	(66,430,584)
Due to other governments	5,527,357	(8,804,848)	(3,277,491)
Due to other funds	(128,169,985)	(23,156,892)	(151,326,877)
Other noncurrent liabilities	1,339,344	2,946,391	4,285,735
Obligation payable	(144,946)	(326,030)	(470,976)
Lease payable	(3,667,045)	(4,481,943)	(8,148,988)
Accrued compensated absences	(1,417,069)	(3,230,859)	(4,647,928)
Accrued workers' compensation	351,231	-	351,231
Claims and judgments	(761,300)	8,000,000	7,238,700
Deferred Outflows - Pension	(10,810,800)	(19,347,900)	(30,158,700)
Net cash provided by (used in) operating activities	<u>\$ 7,051,023</u>	<u>\$ 205,031,931</u>	<u>\$ 212,082,954</u>

concluded.

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

* Financial operations commenced on January 1, 2016, so this statement includes only six months of activity.

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NOTES TO FINANCIAL STATEMENTS

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Great Lakes Water Authority ("GLWA" or the "Authority") is the regional wholesale provider of water and sewer services in southeast Michigan. The Authority was incorporated by the counties of Macomb, Oakland, Wayne and the City of Detroit (the "City") on November 26, 2014 pursuant to Act 233, Public Acts of Michigan, 1955, as amended ("Act 233"). Pursuant to Leases that became effective on January 1, 2016, the Authority assumed possession and control of the regional assets of both the water supply and sewage disposal systems owned by the City, which were previously operated by the Detroit Water and Sewerage Department ("DWSD" or the "Department"). The City, acting through DWSD, will continue to manage and operate its own local retail water and sewer system infrastructure. The leases assigned all revenues of both systems to the Authority for an initial term of 40 years and substituted GLWA for the City as the obligor on all outstanding debt obligations of the City related to the systems.

The Authority's Water System is one of the largest in the United States, both in terms of water produced and population served. The water system currently serves an area of 981 square miles located in eight Michigan counties and an estimated population of nearly 3.9 million or approximately 38% of Michigan's population. Suburban wholesale customers comprise approximately 82% of the population served by the Authority, and the retail water customers comprise the remainder served by the Authority.

The Authority's sewer system is one of the largest in the United States, both in terms of treatment capacity and population served. The sewer system currently serves an area of 850 square miles located in three Michigan counties and an estimated population of nearly 2.8 million or approximately 28% of Michigan's population. Suburban customers comprise approximately 75% of the population served by the Authority, and the retail sewer customers comprise the remainder served by the Authority.

The Authority is authorized to establish rates, fees and charges for its water supply and sewage disposal services. Under the Water and Sewer Services Agreement, the City is appointed as agent of the Authority for setting retail rates and for billing, collecting and enforcing the collection of charges from retail water and sewer customers. As an agent of the Authority, the City, through the Board of Water Commissioners and without further approval by the City Council, is required to set retail rates to meet the revenue requirements for the City retail portion of the water and sewer systems. Under certain conditions, the Authority may terminate the City's appointment.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The GLWA Board is composed of six voting members. Two members are residents of the City of Detroit and are appointed by the Mayor of the City of Detroit. The counties of Macomb, Oakland and Wayne each appoint one member who is a resident of the county from which appointed and the Governor of the State of Michigan appoints one member who is a resident of an area served by the Authority outside of the counties. All members of the GLWA Board must have at least seven years of experience in a regulated industry, such as a utility, engineering, finance, accounting or law firm. After the initial term specified in its Articles of Incorporation, each GLWA Board member is appointed for a four-year term and serves at the pleasure of the appointing government.

The GLWA Board has adopted a committee structure. Four committees have been established: Audit, Capital Improvement Planning, Operations and Resources, and Legal.

The Authority has a water fund and a sewage disposal fund, both of which are presented as major funds.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Basis of Accounting

The accounting policies of the Authority conform to GAAP as applicable to governmental entities. The accounts of the Authority are used to account for its activities, which are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned. Expenses (including depreciation) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include contributions and grants. On an accrual basis, revenue from contributions and grants is recognized in the fiscal year in which all eligibility requirements have been satisfied, including timing and expense requirements. Timing requirements specify the year when the resources are required to be used or the fiscal year when use is first permitted. Expense requirements specify the year in which the resources are provided to the Authority on a reimbursement basis.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity

Cash Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

State statutes authorize the Authority to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances and mutual funds composed of otherwise legal investments.

Restricted Cash and Cash Equivalents

Restricted assets are those assets set aside as required by the Authority's master bond ordinance. See note 4 for further details.

Unbilled Revenue

The Authority records unbilled revenues for services provided prior to year-end by accruing actual revenues billed in the subsequent month.

Contractual Obligation Receivable

Pursuant to the Water and Sewer Services Agreement between the City and Authority, the City is responsible for paying the portion of debt service on the bonds assumed by the Authority that were issued to finance the cost of improvements to the Detroit local facilities. Hence, the "receivable" recorded by the Authority on the "contractual obligation" of the City to the Authority. As further described in Note 13, the final terms of the Agreement are still being negotiated.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Other Assets

Inventories consist of operating, maintenance, and repair parts for sewage assets and are valued at the lower of cost or market, with cost being determined on an average cost method. Inventory is recorded as expense when consumed rather than when purchased. The water fund does not report inventory because the amounts are insignificant and for efficiency are recorded in the sewage disposal fund. Any inventory usage by the water fund is charged through an interfund payable to the sewage disposal fund.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

Capital Assets

Capital assets are recorded at historical cost, together with interest capitalized during construction. All acquisitions of land and land improvements are capitalized regardless of cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets acquired after January 1, 2016 are depreciated on the straight line basis over the useful life of the assets as follows:

	Useful Lives (in years)
Site improvements	15
Buildings and structures	20-50
Infrastructure	80
Machinery and equipment	3-20
Vehicles	5-7

Capital assets acquired from the bifurcation at January 1, 2016 are being depreciated over a range of years based upon a third-party valuation.

Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (or expense) until then. The Authority reports deferred outflows of resources for two items: deferred charges on refunding and pension amounts. Deferred charges on refunding results from the difference in the carrying value of refunded debt and its reacquisition price; these amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources from pension amounts relate to the net pension liability. A portion of these costs represent contributions to the plan subsequent to the plan measurement date. More detailed information on pension amounts can be found in Note 11.

The Authority implemented GASB 68, *Accounting and Financial Reporting for Pensions*, electing an implementation date of June 30, 2015. This reporting category also includes pension contributions made during the fiscal year ended June 30, 2016 in accordance with GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. 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.

Obligation Payable

Under the terms of the lease agreements with the City, the Authority is required to pay a portion of the City's B notes and C notes allocated to the regional water and sewer systems. See "Obligation Payable-City of Detroit 2014 Financial Recovery Bonds" in Note 7.

Lease Payable

The effective date of the leases by the City to the Authority for the leased water and sewer facilities was January 1, 2016. See Note 8 for the detail of the leases.

Compensated Absences

The Authority has a paid time off (PTO) policy which has an annual accrual period ending September 30 each year. Employees are allowed to carry over a maximum bank of 80 hours to the next accrual period. Balances greater than 80 hours up to a maximum of 160 hours shall be converted to the retiree health saving program at 50% of the value of the PTO time. Hours in excess of 160 hours are forfeited if unused by September 30 of each accrual period. The accrued compensated absences for PTO accrual are approximately \$744,000 for the water fund and \$455,000 for the sewage disposal fund on June 30, 2016.

The Authority also has an accrued compensated absence liability assumed on January 1, 2016 relating to the accumulated unpaid vacation and sick leave balances for those employees who retired from the City or resigned from the City and accepted employment with the Authority on January 1, 2016. The June 30, 2016 balance of the accrued compensated absences for the liability assumed on January 1, 2016 is approximately \$4,552,000. This liability is recorded in the water fund as the disbursements for payment will be processed from the water fund with reimbursement from the sewer fund. The accrued compensated absences includes the employers' share of Social Security and Medicare taxes.

Bond Premiums, Discounts, and Deferred Amounts on Refunding

Bond premiums, discounts, and deferred amounts on refunding are deferred and amortized over the life of the bonds. Bond premiums and discounts are amortized using the effective interest method, and deferred amounts on refunding are amortized using the straight-line method. Bonds payable are reported net of the applicable bond premium and discounts. Deferred amounts on refunding are reported as deferred outflows and deferred inflows of resources.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (or revenues) until that time. The Authority has included the deferred amounts on swap terminations and pension inflows in this reporting category. The deferred amounts on swap terminations were assumed as part of the lease agreements with the City. The amounts will be fully amortized for both funds by fiscal 2035. Deferred pension inflows result when there is a change in total pension liability due to benefit changes, differences between expected and actual experience, changes in actuarial assumptions, or differences between expected and actual investment returns. The amount for the changes in actuarial assumptions is deferred and amortized over the estimated remaining service life. The amount for the difference between actual and projected assumptions in investment earnings is deferred and amortized over five years.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Net Position

Net position, which represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources, is reported in three components as follows:

Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation, and related debt.

Restricted - consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

Unrestricted - is the residual balance of net position after *net investment in capital assets* and *restricted*.

When both restricted and unrestricted resources are available for use, generally it is the Authority's policy to use restricted resources first and then unrestricted resources when they are needed.

Classification of Revenues and Expenses

The Authority classifies its revenues and expenses as either operating or nonoperating.

Operating revenues are those revenues generated from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are wholesale charges for providing water and wastewater treatment. The local system charges are the wholesale charges to the City of Detroit under the Water and Sewer Services Agreement. Wholesale customer charges are shown including the recovery of bad debt of \$2,838,281 for the water fund and net of bad debt expense of \$5,955,647 for the sewage disposal fund. The recovery of bad debt for the water fund relates to the change in the allowance for the retail accounts receivable assumed by the Authority on January 1, 2016.

Operating expenses include the costs of operating the water and sewer utility, administrative expenses and depreciation on capital assets. Costs related to shared facilities and personnel are allocated to the water and sewer funds on a basis that relates costs incurred to the system benefited. By agreement, the Authority provides shared services to DWSD; accordingly operating expenses for personnel and contractual services have been reported net of the charges for shared services to DWSD.

All revenue and expenses not meeting these definitions are reported as nonoperating revenue and expenses.

Taxes

The Authority pays no direct federal, state, or local taxes, except local taxes on excess property and federal Social Security taxes.

Interest income

Interest income is the interest earned on the contractual obligation receivable.

Interest Expense

Interest expense in the statement of revenues, expenses and changes in fund net position includes amounts related to the accretion of capital appreciation bonds. Interest expense is reported net of capitalized interest.

Capital contributions

Contributed capital represents revolving loan draws from the State of Michigan that are based on the Authority's capital expenditures and have been forgiven. The Authority is not required to repay the State for these amounts.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Central Services and Administrative Services

Various common costs incurred by the Authority are allocated proratably between the water and sewer funds. The allocations are based on management’s best estimate and may change from year to year depending on the activities incurred by each fund and the information available. The following table shows the allocation of these common costs for the year ended June 30, 2016:

Common Costs	Water % Allocation	Water Allocation	Sewer % Allocation	Sewer Allocation	Total Common Costs
Centralized services	52.5%	\$ 18,494,851	47.5%	\$ 16,733,431	\$ 35,228,282
Administrative services	30.3%	3,191,929	69.7%	7,342,499	10,534,428

Centralized services include security, systems operations control, field engineering and service operations, information technology, planning, energy management and system analytics service costs.

Administrative services includes executive, public affairs, general counsel, organizational development, risk management, finance, procurement and transition service costs.

Use of Estimates

The preparation of basic financial statements in conformity with GAAP 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 basic financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. BUDGETARY INFORMATION

The financial activity of the authority is presented in two enterprise funds, which are not required under State statutes to have an adoption of an appropriated budget. A budget to actual schedule for revenues and expenses is presented in the other information section of this report. This schedule is not required by GAAP or subject to audit procedures. It is presented strictly for internal use only.

Adoption of Budget and Customer Charges

The process for adoption of the budget and customer charges for fiscal year 2016 was unique as it represented a transition year caused by the operational effective date occurring midway through the fiscal year on January 1, 2016. Commencing with FY 2017, the adoption of budget and charges is guided by the terms of the water and sewer system leases, customer contracts, and other documents.

Fiscal Year 2016 Transition

Prior to the effective date, the Board of Water Commissioners (BOWC) for DWSD as the predecessor entity adopted a fiscal year 2016 budget and schedule of customer charges on March 11, 2015. That budget established the parameters for a bifurcated budget between the regional systems and the local DWSD systems effective January 1, 2016 and for the six months ending June 30, 2016. The GLWA board adopted a partial year budget on November 19, 2015 for that six-month period. On December 19, 2015, the GLWA board received a legal opinion that provided for the schedule of customer charges approved by the BOWC to be carried forward for the GLWA fiscal year ending June 30, 2016.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Budget Process - Fiscal Year 2017 and After

Commencing with the fiscal year beginning July 1, 2016, the GLWA is required to adopt a two-year budget for the regional water and sewer systems. The budgeted expenses shall equal the sum of the revenue requirement, including the following for both the regional water and sewer systems: a) operation and maintenance expenses; b) amounts necessary to pay the principal of and interest on all bonds and to restore any reserves therefor established in the Master Bond Ordinance; c) the lease payment, which shall be a common-to-all charge; d) the GLWA portions of the net pension liability and the B&C obligation payable; e) the amount necessary to be deposited to the Water Residential Assistance Program (WRAP) Fund, which shall be a common-to-all charge equal to 0.5% of the base budgeted operating revenues for the regional water and sewer systems for each fiscal year; f) the amounts needed to make the required deposits to the regional Extraordinary Repair and Replacement Reserve Fund and the regional Improvement and Extension Fund as defined in the Master Bond Ordinance; and g) the amount necessary to satisfy the coverage ratios required by the rate covenant in the Master Bond Ordinance.

As provided in the leases, through the Fiscal Year ending June 30, 2025, the water and sewer systems are assumed to experience annual increases in the regional revenue requirement of not more than 4%. This limitation shall not be applicable, however, if the regional revenue requirement must increase beyond the 4% assumption in order to satisfy the rate covenant or to pay the cost of improvements to the leased water and/or sewer Facilities that are required to be made by applicable laws.

In the leases, the City acknowledges that all local water and sewer system revenues received from customers in the City are the property of the GLWA and will be deposited as received in the Receiving Fund as defined in the Master Bond Ordinance and applied as provided in the Bond Ordinance. As a result, the City agrees to provide the Authority with a budget for the local water and sewer system as provided in the Water and Sewer Services Agreement.

Schedule of Charges Process - Fiscal Year 2017 and After

The GLWA Wholesale Customer Model Water Contract requires that the GLWA provide wholesale customers with written notice of a proposed charge, meet to review the proposed charges, and the underlying data used to calculate the charge not less than 30 calendar days prior to a public hearing. Further, the contract requires that a public hearing be held no less than 120 days prior to the date that a proposed charge increase is to take effect.

The Water and Sewer Services agreement between GLWA and DWSD requires that GLWA provides the City with written notice of the proposed charges and the underlying data used to calculate the charge not less than 120 calendar days prior to the effective date of any new charges.

3. CASH DEPOSITS AND INVESTMENTS

The deposits and investments of the Authority at June 30, 2016 are reported in the basic financial statements as follows:

	Water Fund	Sewage Disposal Fund	Total
Statement of Net Position			
Cash and cash equivalents	\$ 155,712,891	\$ 156,022,295	\$ 311,735,186
Restricted cash and cash equivalents	53,028,844	81,181,424	134,210,268
Restricted cash on deposit with trustee	10,430	51,648	62,078
Investments	11,579,681	32,041,080	43,620,761
Restricted investments	27,818,000	28,843,000	56,661,000
Noncurrent restricted cash and cash equivalents	5,460,942	155,488,780	160,949,722
Noncurrent restricted investments	42,841,345	62,186,734	105,028,079
Total	\$ 296,452,133	\$ 515,814,961	\$ 812,267,094

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

	Water Fund	Sewage Disposal Fund	Total
Cash Deposits and investments			
Bank deposits -			
Checking/savings accounts	\$ 96,571,676	\$ 12,346,073	\$ 108,917,749
Investments in securities	82,239,026	123,070,814	205,309,840
Money market accounts	117,631,001	380,346,426	497,977,427
Cash on deposit with trustee	10,430	51,648	62,078
Total	\$ 296,452,133	\$ 515,814,961	\$ 812,267,094

Restricted cash of the Authority primarily consists of amounts held in reserve for construction retainage and for future debt service payments.

Custodial Credit Risk - Deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At year-end, the carrying amount of the Authority's deposits was \$96,571,676 for the water fund and \$12,346,073 for the sewer fund. The bank balance of the water fund deposits was \$95,647,862 of which \$94,970,810 was uninsured and uncollateralized. The bank balance of the sewage disposal fund deposits was \$12,346,073 of which \$12,167,380 was uninsured and uncollateralized.

In accordance with the Authority's investment policy and State law, all deposits are uncollateralized, held in the Authority's name, and evidenced by a safekeeping receipt. Also, due to the dollar amounts of cash deposits and the limits of FDIC insurance, the Authority believes it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. Following is a summary of the Authority's investments as of June 30, 2016:

	Water Fund	Sewage Disposal Fund	Total
U.S. Treasury notes	\$ 12,463,725	\$ 22,321,444	\$ 34,785,169
U.S. government agencies	36,260,960	57,993,180	94,254,140
Commercial paper	33,514,341	42,756,190	76,270,531
Total	\$ 82,239,026	\$ 123,070,814	\$ 205,309,840

Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agent but not in the government's name. In accordance with the Authority's investment policy, all investments are held in the name of the Authority and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy and State law require that commercial paper be rated in the top two ratings by at least two nationally recognized statistical rating organizations.

As of June 30, 2016, all of the Authority's investments in securities of U.S. agencies were rated AA+ by Standard & Poor's and Aaa by Moody's. The Authority's investments in commercial paper were rated A1 by Standard & Poor's and P1 by Moody's. United States treasury securities are explicitly guaranteed by the U.S. government and not considered to have credit risk. The Authority's money market accounts were not rated.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority's investment policy requires diversification by security type and institution, but does not place a fixed percentage limit for any one issuer.

At June 30, 2016, the Authority had greater than 5% of its total investment portfolio concentrated as follows:

Investment Type	Issuer	% of Portfolio
Water fund		
U.S. government agencies	Federal Home Loan Bank	22.20%
U.S. government agencies	Federal National Mortgage Association	12.16%
U.S. government agencies	Federal Farms Credit Bank	9.73%
Commercial paper	Bank of Tokyo Mitsubishi	7.05%
Commercial paper	BNP Paribas	6.90%
Commercial paper	Credit Agricole	7.05%
Commercial paper	Prudential	8.33%
Commercial paper	US Bank	8.33%
Sewage disposal fund		
U.S. government agencies	Federal Home Loan Bank	21.14%
U.S. government agencies	Federal National Mortgage Association	8.13%
U.S. government agencies	Federal Farms Credit Bank	9.73%
U.S. government agencies	Federal Home Loan Mortgage Company	8.13%
Commercial paper	Bank of Tokyo Mitsubishi	6.54%
Commercial paper	BNP Paribas	6.64%
Commercial paper	Credit Agricole	6.54%
Commercial paper	Prudential	5.69%
Commercial paper	US Bank	5.69%

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. The Authority's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

As of June 30, 2016, the Authority's debt securities had the following maturities:

	< 1 year	1 - 5 years	6 - 10 years	Total
Water fund				
U.S. Treasury notes	\$ 12,463,725	\$ -	\$ -	\$ 12,463,725
U.S. government agencies	26,258,160	10,002,800	-	36,260,960
Commercial paper	33,514,341	-	-	33,514,341
	<u>72,236,226</u>	<u>10,002,800</u>	<u>-</u>	<u>82,239,026</u>
Sewage disposal fund				
U.S. Treasury notes	22,321,444	-	-	22,321,444
U.S. government agencies	31,018,100	26,975,080	-	57,993,180
Commercial paper	42,756,190	-	-	42,756,190
	<u>96,095,734</u>	<u>26,975,080</u>	<u>-</u>	<u>123,070,814</u>
Total	<u>\$ 168,331,960</u>	<u>\$ 36,977,880</u>	<u>\$ -</u>	<u>\$ 205,309,840</u>

Fair Value Measurements - The Authority categorizes investments measured at fair value 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 assets. Level 1 inputs are quoted at prices in active markets for identical assets; Level 2 inputs are quoted prices for similar assets or liabilities in active markets; and Level 3 inputs are unobservable in the market and are the least reliable. The Authority had the following fair value measurements as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Water fund				
Investments by fair value level:				
U.S. treasuries	\$ 12,463,725	\$ -	\$ -	\$ 12,463,725
U.S. government agencies	-	36,260,960	-	36,260,960
Commercial paper	-	33,514,341	-	33,514,341
	<u>12,463,725</u>	<u>69,775,301</u>	<u>-</u>	<u>82,239,026</u>
Sewage disposal fund				
Investments by fair value level:				
U.S. treasuries	22,321,444	-	-	22,321,444
U.S. government agencies	-	57,993,180	-	57,993,180
Commercial paper	-	42,756,190	-	42,756,190
	<u>22,321,444</u>	<u>100,749,370</u>	<u>-</u>	<u>123,070,814</u>
Total	<u>\$ 34,785,169</u>	<u>\$ 170,524,671</u>	<u>\$ -</u>	<u>\$ 205,309,840</u>

4. RESTRICTED ASSETS

Restricted assets, comprised of cash and investments, are available for debt service on revenue bonds and to provide funds for improvements, enlargements, extensions and construction. In accordance with the provisions of the Master Bond Ordinance and Board guidance, the Authority follows a detailed and sequential flow of funds concept and set of procedures that establishes various physically segregated accounts through which monies flow and are maintained at certain levels in satisfaction of all borrowing and other legal requirements.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

The following schedules provide, in the order of the flow of funds per the Master Bond Ordinance, the distribution of water and sewage disposal fund cash and investments between restricted and unrestricted assets based on the source of the monies as of June 30, 2016:

	Funded from Revenue		Funded from	Total
	Unrestricted	Restricted	Debt Issuance	
			Restricted	
Water fund				
Operations and maintenance	\$ 78,222,948	\$ -	\$ -	\$ 78,222,948
Senior lien debt service	-	34,722,532	-	34,722,532
Senior lien bond reserve	-	-	138,640,291	138,640,291
Second & junior lien debt service	-	23,260,022	-	23,260,022
Second & junior lien debt reserve	-	-	60,776,500	60,776,500
Pension obligation	-	1,716,400	-	1,716,400
Water residential assistance program	-	2,006,433	-	2,006,433
Budget stabilization	-	2,356,941	-	2,356,941
Extraordinary repair and replacement	21,821,325	-	-	21,821,325
Improvement and extension (regional system)	67,248,299	-	-	67,248,299
Subtotal - reserves defined by ordinance	167,292,572	64,062,328	199,416,791	430,771,691
Less: funded by surety (non-cash)	-	-	(156,455,156)	(156,455,156)
Total - reserves defined by ordinance (net of surety coverage)	167,292,572	64,062,328	42,961,635	274,316,535
Unspent construction bond proceeds	-	-	21,158,320	21,158,320
Other restricted proceeds-donations	-	977,278	-	977,278
Total cash, cash equivalents and investments	167,292,572	65,039,606	64,119,955	296,452,133
Sewage disposal fund				
Operations and maintenance	\$ 41,955,545	\$ -	\$ -	\$ 41,955,545
Senior lien debt service	-	44,380,665	-	44,380,665
Senior lien bond reserve	-	-	137,741,771	137,741,771
Second & junior lien debt service	-	45,774,955	-	45,774,955
Second & junior lien debt reserve	-	-	82,055,050	82,055,050
Pension obligation	-	2,310,600	-	2,310,600
Water residential assistance program	-	2,594,643	-	2,594,643
Budget stabilization	-	5,813,000	-	5,813,000
Extraordinary repair and replacement	32,609,160	-	-	32,609,160
Improvement and extension (regional system)	113,498,670	-	-	113,498,670
Subtotal - reserves defined by ordinance	188,063,375	100,873,863	219,796,821	508,734,059
Less: funded by surety (non-cash)	-	-	(157,245,716)	(157,245,716)
Total - reserves defined by ordinance (net of surety coverage)	188,063,375	100,873,863	62,551,105	351,488,343
Unspent construction bond proceeds	-	-	164,326,618	164,326,618
Total cash, cash equivalents and investments	188,063,375	100,873,863	226,877,723	515,814,961
Total cash, cash equivalents and investments - business-type activities	\$ 355,355,947	\$ 165,913,469	\$ 290,997,678	\$ 812,267,094

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

The following summary reconciles the above cash and investment balances with the balances per the Statement of Net Position. The allocation of restricted balances to current and noncurrent categories is not intended to directly align with the funding source allocation included in the schedule.

	Unrestricted	Restricted Current	Restricted Noncurrent	Total
Water				
Cash and cash equivalents	\$ 155,712,891	\$ 53,028,844	\$ 5,460,942	\$ 214,202,677
On deposit with trustee	-	10,430	-	10,430
Investments	11,579,681	27,818,000	42,841,345	82,239,026
	<u>167,292,572</u>	<u>80,857,274</u>	<u>48,302,287</u>	<u>296,452,133</u>
Sewage disposal				
Cash and cash equivalents	156,022,295	81,181,424	155,488,780	392,692,499
On deposit with trustee	-	51,648	-	51,648
Investments	32,041,080	28,843,000	62,186,734	123,070,814
	<u>188,063,375</u>	<u>110,076,072</u>	<u>217,675,514</u>	<u>515,814,961</u>
Total	<u>\$ 355,355,947</u>	<u>\$ 190,933,346</u>	<u>\$ 265,977,801</u>	<u>\$ 812,267,094</u>

Surety coverage includes series specific policies; therefore, this represents the lesser of the maximum amount of the policy, or amount of reserve requirement allocated to the specific series covered by such policy.

5. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2016 was as follows:

	Beginning Balance [1]	Additions	Disposals	Ending Balance
Water fund				
Nondepreciable capital assets:				
Land	\$ 34,244,101	\$ -	\$ -	\$ 34,244,101
Easements	258,632,397	-	-	258,632,397
Construction in progress	102,483,144	20,198,448	-	122,681,592
Total nondepreciable assets	<u>395,359,642</u>	<u>20,198,448</u>	<u>-</u>	<u>415,558,090</u>
Depreciated capital assets:				
Site improvements	57,687,528	-	-	57,687,528
Buildings and structures	555,224,787	40,975	-	555,265,762
Infrastructure	586,102,646	-	-	586,102,646
Machinery and equipment	598,328,827	427,161	-	598,755,988
Vehicles	1,538,031	-	-	1,538,031
Total depreciable assets	<u>1,798,881,819</u>	<u>468,136</u>	<u>-</u>	<u>1,799,349,955</u>
Less accumulated depreciation:				
Site improvements	-	(4,570,741)	-	(4,570,741)
Buildings and structures	-	(17,711,187)	-	(17,711,187)
Infrastructure	-	(18,866,429)	-	(18,866,429)
Machinery and equipment	-	(29,898,877)	-	(29,898,877)
Vehicles	-	(248,311)	-	(248,311)
Total accumulated depreciation	<u>-</u>	<u>(71,295,545)</u>	<u>-</u>	<u>(71,295,545)</u>
Total capital assets being depreciated, net	<u>1,798,881,819</u>	<u>(70,827,409)</u>	<u>-</u>	<u>1,728,054,410</u>
Water fund net capital assets	<u>2,194,241,461</u>	<u>(50,628,961)</u>	<u>-</u>	<u>2,143,612,500</u>

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

	Beginning Balance [1]	Additions	Disposals	Ending Balance
Sewage disposal fund				
Nondepreciable capital assets:				
Land	\$ 28,733,333	\$ -	\$ -	\$ 28,733,333
Easements	96,211,323	-	-	96,211,323
Construction in progress	154,381,672	16,549,930	-	170,931,602
Total nondepreciable assets	<u>279,326,328</u>	<u>16,549,930</u>	<u>-</u>	<u>295,876,258</u>
Depreciated capital assets:				
Site improvements	36,280,397	-	-	36,280,397
Buildings and structures	1,059,172,720	714,371	(568,269)	1,059,318,822
Infrastructure	596,856,313	-	-	596,856,313
Machinery and equipment	1,095,931,991	914,716	(5,135,490)	1,091,711,217
Vehicles	1,426,261	-	-	1,426,261
Total depreciable assets	<u>2,789,667,682</u>	<u>1,629,087</u>	<u>(5,703,759)</u>	<u>2,785,593,010</u>
Less accumulated depreciation:				
Site improvements	-	(3,398,076)	-	(3,398,076)
Buildings and structures	-	(26,564,050)	9,702	(26,554,348)
Infrastructure	-	(6,903,182)	-	(6,903,182)
Machinery and equipment	-	(48,884,578)	309,462	(48,575,116)
Vehicles	-	(271,143)	-	(271,143)
Total accumulated depreciation	<u>-</u>	<u>(86,021,029)</u>	<u>319,164</u>	<u>(85,701,865)</u>
Total capital assets being depreciated, net	<u>2,789,667,682</u>	<u>(84,391,942)</u>	<u>(5,384,595)</u>	<u>2,699,891,145</u>
Sewage disposal fund net capital assets	<u>3,068,994,010</u>	<u>(67,842,012)</u>	<u>(5,384,595)</u>	<u>2,995,767,403</u>
Business-type activities capital assets, net	<u>\$ 5,263,235,471</u>	<u>\$ (118,470,973)</u>	<u>\$ (5,384,595)</u>	<u>\$ 5,139,379,903</u>

[1] See note 12 for valuation of the beginning balances at the date of bifurcation.

Capital assets were evaluated during the year to determine if any asset impairments exist, defined as a significant, unexpected decline in the service utility of a capital asset. The Authority had a fire at its wastewater treatment facility in March 2016. Machinery, equipment and buildings were damaged. The amounts are recorded as disposals in the sewage disposal fund above, and insurance proceeds were netted with those amounts for a gain of \$275,693.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

6. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between the water and sewer funds for goods provided or services rendered and for the reimbursement of expenses. Related interfund receivables and payables are classified as “due from other funds” or “due to other funds,” respectively, on the statement of net position and will be settled within one year. Interfund receivables and payables at June 30, 2016 are as follows:

	Due to	Due from
Water	\$ 65,971	\$ -
Sewage disposal	-	65,971
	<u>\$ 65,971</u>	<u>\$ 65,971</u>

The water fund accumulates centralized service and administrative costs, prepaids, accrued salaries and compensated absences from operations. A certain portion of these items relate to the sewage disposal fund. An interfund has been set up in the sewage disposal fund for its portion of the previously mentioned items.

7. LONG-TERM DEBT

Changes in long-term debt and accrued compensated absences for the year ended June 30, 2016 were as follows:

	Beginning Balance [1]	Increase	Decrease	Ending Balance	Amount due within one year
Water fund					
Revenue bonds	\$ 2,296,300,000	-	(35,625,000)	\$ 2,260,675,000	\$ 18,770,000
State revolving loans	17,383,761	-	-	17,383,761	1,400,000
Deferred amounts for:					
Add unamortized premiums	274,582,072	-	(9,909,641)	264,672,431	17,778,940
Less unamortized discounts	(20,774,642)	-	2,518,249	(18,256,393)	(2,298,773)
Total revenue bonds, net	<u>2,567,491,191</u>	<u>-</u>	<u>(43,016,392)</u>	<u>2,524,474,799</u>	<u>35,650,167</u>
Compensated absences	5,391,978	744,281	(839,579)	5,296,680	1,784,746
Total water fund	<u>2,572,883,169</u>	<u>744,281</u>	<u>(43,855,971)</u>	<u>2,529,771,479</u>	<u>37,434,913</u>
Sewage disposal fund					
Revenue bonds	2,777,630,000	-	(37,965,000)	2,739,665,000	12,285,000
Capital appreciation bonds	24,165,000	-	-	24,165,000	1,350,000
Discount on capital appreciation bonds	(5,081,829)	-	584,867	(4,496,962)	(1,183,699)
State revolving loans	489,487,050	22,838,692	(5,890,000)	506,435,742	43,385,000
Deferred amounts for:					
Add unamortized premiums	318,190,761	-	(9,272,381)	308,918,380	19,414,293
Less unamortized discounts	(130,183,682)	-	3,689,901	(126,493,781)	(14,348,405)
Total revenue bonds, net	<u>3,474,207,300</u>	<u>22,838,692</u>	<u>(48,852,613)</u>	<u>3,448,193,379</u>	<u>60,902,189</u>
Compensated absences	5,017,011	454,630	(5,017,011)	454,630	454,630
Total sewage disposal fund	<u>3,479,224,311</u>	<u>23,293,322</u>	<u>(53,869,624)</u>	<u>3,448,648,009</u>	<u>61,356,819</u>
Total business-type activities	<u>\$ 6,052,107,480</u>	<u>\$ 24,037,603</u>	<u>\$ (97,725,595)</u>	<u>\$ 5,978,419,488</u>	<u>\$ 98,791,732</u>

[1] See note 12 for valuation of the beginning balances at the date of bifurcation.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

As of June 30, 2016, aggregate debt service requirements of the Authority's debt (fixed and variable-rate) instruments were as follows. These amounts assume that current interest rates on variable-rate bonds will remain the same for their respective terms. As these rates vary, interest payments on variable-rate bonds will vary.

Annual debt service requirements to maturity for business-type activities revenue bonds payable and state revolving loans payable are as follows:

	Year Ended June 30,	Principal	Interest	Total
Water fund				
	2017	\$ 20,170,000	\$ 93,392,419	\$ 113,562,419
	2018	61,660,000	113,971,707	175,631,707
	2019	63,310,000	110,896,157	174,206,157
	2020	68,185,000	107,691,131	175,876,131
	2021	71,430,000	104,231,409	175,661,409
	2022-2026	415,545,000	460,885,442	876,430,442
	2027-2031	514,263,761	343,235,698	857,499,459
	2032-2036	622,980,000	199,978,359	822,958,359
	2037-2041	372,180,000	60,713,894	432,893,894
	2042	68,335,000	1,782,125	70,117,125
		<u>\$ 2,278,058,761</u>	<u>\$ 1,596,778,341</u>	<u>\$ 3,874,837,102</u>
Sewage disposal fund				
	2017	\$ 57,020,000	\$ 116,408,078	\$ 173,428,078
	2018	98,485,000	140,495,483	238,980,483
	2019	102,005,000	136,870,492	238,875,492
	2020	105,395,000	133,047,236	238,442,236
	2021	109,940,000	129,080,570	239,020,570
	2022-2026	585,305,300	576,627,001	1,161,932,301
	2027-2031	729,679,738	439,348,353	1,169,028,091
	2032-2036	815,550,704	274,495,292	1,090,045,996
	2037-2041	543,680,000	86,352,244	630,032,244
	2042-2045	123,205,000	12,680,624	135,885,624
		<u>\$ 3,270,265,742</u>	<u>\$ 2,045,405,373</u>	<u>\$ 5,315,671,115</u>

For bonds issued through the Michigan Finance Authority (MFA) in 2014 and 2015, the Authority is required to make payment on these obligations to the MFA depository account five business days prior to the actual due date of the bond principal and interest payments. Therefore, the payments for principal and interest due on July 1, 2016 are not included in the debt service requirements amounts above as they were paid on June 24, 2016.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Revenue Bonds Payable

Net revenues of the Authority are pledged to repayment of bonds. The following is a schedule of the revenue bonds payable at June 30, 2016:

Issue	Bond Date	Original Issue Amount	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance	Callable
Water fund						
Series 2001-C	5/14/08	\$ 4,055,000	4.25%	7/01/16-18	\$ 1,035,000	
Series 2001-C	5/14/08	186,350,000	4.50-5.75%	7/01/19-29	178,735,000	c
Series 2003-A	1/30/03	234,805,000	5.00%	7/01/34	100,000	c
Series 2003-B	1/30/03	172,945,000	5.00%	7/01/34	100,000	c
Series 2003-D	9/01/06	6,720,000	4.20%	7/01/16	235,000	
Series 2003-D	9/01/06	144,650,000	4.25-5.00%	7/01/17-33	116,645,000	c
Series 2004-A	8/16/06	17,600,000	5.25%	7/01/16	4,710,000	
Series 2004-A	8/16/06	55,165,000	4.50-5.25%	7/01/17-25	30,335,000	c
Series 2004-B	8/16/06	52,840,000	4.25-5.00%	7/01/2016	5,105,000	
Series 2004-B	8/16/06	100,990,000	4.25-5.00%	7/01/17-23	15,725,000	c
Series 2005-B	5/14/08	19,070,000	4.00-5.50%	7/01/16-18	4,255,000	
Series 2005-B	5/14/08	175,830,000	4.75-5.50%	7/01/19-35	148,085,000	c
Series 2006-A	8/16/06	42,795,000	5.00%	7/01/2016	1,610,000	
Series 2006-A	8/16/06	237,205,000	5.00%	7/01/17-34	119,445,000	c
Series 2006-B	4/01/09	900,000	4.25-5.00%	7/01/16-19	300,000	
Series 2006-B	4/01/09	119,100,000	5.50-7.00%	7/01/23-36	85,350,000	c
Series 2006-C	8/16/06	12,585,000	5.00%	7/01/16	3,205,000	
Series 2006-C	8/16/06	208,060,000	5.00%	7/01/17-33	198,700,000	c
Series 2006-D	8/16/06	4,430,000	4.00-4.20%	7/01/2016	15,000	
Series 2006-D	8/16/06	142,160,000	4.25-5.00%	7/01/17-32	59,815,000	c
Series 2011-A	12/22/11	37,880,000	5.00%	7/01/16-20	10,405,000	
Series 2011-A	12/22/11	341,710,000	5.00-5.75%	7/01/27-41	289,605,000	c
Series 2011-B	12/22/11	7,455,000	3.607-5.00%	7/01/16-21	2,875,000	
Series 2011-B	12/22/11	9,740,000	6.00%	7/01/33	2,295,000	c
Series 2011-C	12/22/11	3,925,000	5.00%	7/01/21	1,020,000	
Series 2011-C	12/22/11	99,965,000	4.50-5.25%	7/01/23-41	74,125,000	c
Series 2014-A (D-1)	9/04/14	162,350,000	5.00%	7/01/16-23	158,425,000	
Series 2014-A (D-1)	9/04/14	44,190,000	5.00%	7/01/35-37	41,790,000	c
Series 2014-B (D-2)	9/04/14	51,530,000	5.00%	7/01/23-24	51,530,000	
Series 2014-B (D-2)	9/04/14	136,925,000	5.00%	7/01/25-28	136,925,000	c
Series 2014-C (D-3)	9/04/14	62,700,000	5.00%	7/01/18-20	62,700,000	
Series 2014-D (D-4)	9/04/14	98,285,000	5.00%	7/01/16-17	66,325,000	
Series 2014-D (D-4)	9/04/14	209,360,000	5.00%	7/01/29-34	176,860,000	c
Series 2014-E (D-5)	9/04/14	9,270,000	2.85%	7/01/19	9,270,000	
Series 2014-F (D-6)	9/04/14	21,735,000	5.00%	7/01/19-24	21,735,000	
Series 2014-F (D-6)	9/04/14	43,690,000	5.00%	7/01/25-36	43,690,000	c
Series 2014-G (D-7)	9/04/14	14,815,000	5.00%	7/01/16-18	10,930,000	
Series 2015-A (D-1)	12/15/15	20,155,000	3.00-5.00%	7/01/17-22	20,155,000	
Series 2015-A (D-1)	12/15/15	69,275,000	5.00%	7/01/27-35	69,275,000	c
Series 2015 (D-2)	12/15/15	37,235,000	5.00%	7/01/34	37,235,000	c
Total water fund revenue bonds payable					<u>2,260,675,000</u>	

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Issue	Bond Date	Original Issue Amount	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance	Callable
Sewage disposal fund						
Series 1998-A	12/14/06	\$ 18,540,000	5.50%	7/01/16-17	\$ 2,515,000	
Series 1998-A	12/14/06	49,075,000	5.25%	7/01/18-23	18,485,000	c
Series 1998-B	12/14/06	18,750,000	5.50%	7/01/16-17	4,535,000	
Series 1998-B	12/14/06	48,770,000	5.25%	7/01/18-23	18,260,000	c
Series 1999-A **	12/01/99	33,510,118	—	7/01/15-21	19,668,038	
Series 2001-B	9/15/01	110,550,000	5.50%	7/01/23-29	78,895,000	
Series 2001-C-1	6/17/09	6,360,000	5.25%	7/01/16-19	1,660,000	
Series 2001-C-1	6/17/09	148,510,000	6.50-7.00%	7/01/20-27	40,705,000	c
Series 2001-C-2	5/08/08	3,275,000	4.00%	7/01/16-18	875,000	
Series 2001-C-2	5/08/08	119,630,000	4.00-5.25%	7/01/19-29	107,045,000	c
Series 2001-E	5/07/08	136,150,000	5.75%	7/01/24-31	134,745,000	c
Series 2003-A	5/15/03	213,395,000	5.50%	7/01/17-18	3,150,000	
Series 2003-B	6/17/09	150,000,000	7.50%	7/01/32-33	25,650,000	c
Series 2004-A	2/12/04	101,435,000	5.25%	7/01/19-24	35,010,000	
Series 2005-A	3/17/05	269,590,000	3.75-5.125%	7/01/34-35	31,885,000	c
Series 2005-B	3/17/05	40,215,000	5.50%	7/01/21-22	17,115,000	
Series 2005-C	4/05/05	41,095,000	5.00%	7/1/25	100,000	c
Series 2006-A	5/07/08	123,655,000	5.50%	7/01/34-36	123,185,000	c
Series 2006-B	8/10/06	11,850,000	5.00%	7/1/16	1,030,000	
Series 2006-B	8/10/06	238,150,000	4.25-5.00%	7/01/17-36	229,665,000	c
Series 2006-C	8/10/06	8,495,000	5.25%	7/1/16	1,475,000	
Series 2006-C	8/10/06	18,065,000	5.00%	7/01/17-18	9,740,000	c
Series 2006-D	12/14/06	370,000,000	Variable (*)	7/01/26-32	239,475,000	c
Series 2012-A	6/26/12	95,445,000	5.00%	7/01/16-22	72,195,000	
Series 2012-A	6/26/12	564,335,000	5.00 - 5.50	7/01/23-39	475,165,000	c
Series 2014-A (C-1)	9/04/14	20,000	5.00%	7/01/19-22	20,000	
Series 2014-A (C-1)	9/04/14	123,200,000	5.00%	7/01/23-44	123,200,000	c
Series 2014-B (C-2)	9/04/14	20,000	5.00%	7/01/19-22	20,000	
Series 2014-B (C-2)	9/04/14	27,450,000	5.00%	7/01/23-44	27,450,000	c
Series 2014-C (C-3)	9/04/14	142,600,000	5.00%	7/01/21-24	142,600,000	
Series 2014-C (C-3)	9/04/14	303,570,000	5.00%	7/01/25-33	303,570,000	c
Series 2014-D (C-5)	9/04/14	95,165,000	5.00%	7/01/17-20	95,165,000	
Series 2014-E (C-6)	9/04/14	88,900,000	5.00%	7/01/32-33	88,900,000	c
Series 2014-F (C-7)	9/04/14	32,650,000	5.00%	7/01/19-24	32,650,000	
Series 2014-F (C-7)	9/04/14	44,065,000	5.00%	7/01/25-36	44,065,000	c
Series 2014-G (C-8)	9/04/14	23,240,000	2.00 - 5.00%	7/01/16-18	11,805,000	
Series 2015 (C-1)	12/15/15	500,000	3.00%	7/01/17	500,000	
Series 2015 (C-1)	12/15/15	197,160,000	5.00%	7/01/26-35	197,160,000	
Total sewage disposal fund revenue and capital appreciation bonds payable					<u>2,759,333,038</u>	
Total business-type activities					<u>\$ 5,020,008,038</u>	

Maturity dates reflect the final pricing of each series of bonds. Multiple maturity date ranges for a series of bonds differentiate between those bonds which are callable prior to maturity and those which are not callable prior to maturity.

* Interest rates are reset periodically at the stated current market interest rate.

** Bonds are capital appreciation bonds. The outstanding balance represents the discounted present value.

c Indicates bonds are callable under terms specified in the indenture; all other bonds are noncallable.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

State Revolving Loans Payable

Net revenues of the Authority are pledged to repayment of bonds. The following is a schedule of the state revolving loans payable at June 30, 2016:

Issue	Bond Date	Amount Issued	Range of Interest Rates	Maturity Dates	Outstanding Ending Balance
Water Fund					
Series 2005 SRF-1	9/22/05	\$ 13,805,164	2.125%	10/01/15-26	\$ 8,045,164
Series 2005 SRF-2	9/22/05	8,891,730	2.125%	10/01/15-26	5,051,730
Series 2006 SRF-1	9/21/06	5,180,926	2.125%	10/01/15-26	2,995,926
Series 2008 SRF-1	9/29/08	2,590,941	2.50%	10/01/15-28	1,290,941
Total water fund state revolving loans payable					<u>17,383,761</u>
Sewage Disposal Fund					
Series 1997-B-SRF	9/30/97	5,430,174	2.25%	10/01/15-18	965,000
Series 1999-SRF-1	6/24/99	21,475,000	2.50%	4/01/16-20	5,180,000
Series 1999-SRF-2	9/30/99	46,000,000	2.50%	10/01/15-22	18,765,000
Series 1999-SRF-3	9/30/99	31,030,000	2.50%	10/01/15-20	9,265,000
Series 1999-SRF-4	9/30/99	40,655,000	2.50%	10/01/15-20	12,140,000
Series 2000-SRF-1	3/30/00	44,197,995	2.50%	10/01/15-22	15,947,995
Series 2000-SRF-2	9/28/00	64,401,066	2.50%	10/01/15-22	26,156,066
Series 2001-SRF-1	6/28/01	82,200,000	2.50%	10/01/15-24	42,090,000
Series 2001-SRF-2	12/20/01	59,850,000	2.50%	10/01/15-24	30,650,000
Series 2002 SRF-1	6/27/02	18,985,000	2.50%	4/01/16-23	7,735,000
Series 2002-SRF-2	6/27/02	1,545,369	2.50%	4/01/16-23	630,369
Series 2002-SRF-3	12/19/02	31,549,466	2.50%	10/01/15-24	14,899,466
Series 2003-SRF-1	6/26/03	48,520,000	2.50%	10/01/15-25	27,275,000
Series 2003-SRF-2	9/25/03	25,055,370	2.50%	4/01/16-25	12,740,370
Series 2004 SRF-1	6/24/04	2,910,000	2.125%	10/01/15-24	1,460,000
Series 2004 SRF-2	6/24/04	18,353,459	2.125%	4/01/16-25	9,193,459
Series 2004 SRF-3	6/24/04	12,722,575	2.125%	4/01/16-25	6,357,575
Series 2007 SRF-1	9/20/07	167,540,598	1.625%	10/01/15-29	122,835,598
Series 2009 SRF-1	4/17/09	13,970,062	2.50%	4/01/16-30	10,160,062
Series 2010 SRF-1	1/22/10	4,214,763	2.50%	4/01/16-31	3,300,763
Series 2012 SRF-1	8/30/12	14,950,000	2.50%	10/01/15-34	13,835,170
Series 2015 SRF-1	3/20/15	79,500,000	2.50%	4/01/17-36	79,500,000
Series 2015 SRF-2	3/20/15	33,030,000	2.50%	10/01/16-35	20,883,315
Series 2015 SRF-3	12/11/15	19,485,000	2.50%	10/01/16-35	14,470,534
Total sewage disposal fund state revolving loans payable					<u>506,435,742</u>
Total business-type activities					<u>\$ 523,819,503</u>

Maturity dates reflect the final pricing of each series of bonds. Multiple maturity date ranges for a series of bonds differentiate between those bonds which are callable prior to maturity and those which are not callable prior to maturity.

The state revolving loans are issued as part of the State of Michigan's Revolving Fund Loan Program. As GLWA draws additional amounts from time to time hereafter, the outstanding principal amounts of such bonds will correspondingly increase. All loans are callable under terms specified in the loan agreements.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Issuance of State Revolving Loans

The Authority's sewage disposal fund received loans from the State of Michigan Revolving Loan Fund totaling \$22,838,692 during the year ended June 30, 2016. The proceeds of the loans were used to pay costs of acquiring, constructing extensions, and making certain repairs and improvements to the System. At June 30, 2016, \$17,690,981 in bonds were authorized and unissued. No amounts were drawn or unissued in the water fund as of June 30, 2016.

Debt Ratings

As of January 2016, Standard & Poor's Ratings Services ratings on the senior and second lien debt was A-/A-; Moody's rating was Baa3/Baa3 and Fitch's rating was BBB.

Bondholder Consent

As one of the conditions precedent for the regional lease to become effective, DWSD was required to obtain the consent of not less than 51% of water and sewer bond holders to the change the obligor for all outstanding revenue bonds from DWSD to GLWA as of the effective date. On November 12, 2015, the DWSD issued a solicitation of consents to changes to certain bond financing documents. As of November 25, 2015, DWSD obtained the voluntary consent of more than 67% of its outstanding bond holders. Subsequently, bonds sold in December 2015 bore the same consent to provide for the change in obligor from DWSD to GLWA.

Contractual Obligation Receivable - Debt Allocation for DWSD Retail Operations

As part of the lease transaction in which GLWA leased the regional water and sewer system from the City of Detroit, all DWSD revenue bonds outstanding as of December 31, 2015, including those purchased by the Michigan Finance Authority under its state revolving loan program, were assumed by GLWA with the consent of bondholders. Total bonds assumed by GLWA totaled \$2,313,683,761 for the water fund and \$3,291,282,050 for the sewage disposal fund.

Per the Water and Sewer Services Agreement between the DWSD and GLWA dated June 12, 2015 and the Master Bond Ordinance dated October 7, 2015, as amended, the Detroit retail class continues to pay its common-to-all share of debt service revenue requirements and its allocated share of debt service revenue requirements associated with improvements to the local water and sewer systems. Payments on the debt service incurred by GLWA on the outstanding revenue bonds assumed as of December 31, 2015 are to be allocated using an agreed-upon percentage of total debt service associated with bond-financed local improvements over the life of such bonds, though the bonds themselves continue to be secured by the net revenue of GLWA, and the revenues of the Detroit retail class. As of June 30, 2016, the parties were still working to resolve the allocation percentage. GLWA management estimates the percentage to approximate 20.51 percent for water and 11.26 percent for sewage disposal. The resulting estimated debt liability at year-end is \$473,169,250 for the water fund and \$371,331,750 for the sewage disposal fund.

Obligation Payable - City of Detroit 2014 Financial Recovery Bonds

The Financial Recovery Bonds, Series 2014-B are federally taxable. The Series 2014-B bonds have two components B(1) which has a 4.0 percent per annum interest rate and B(2) which has a variable interest rate until the maturity date of April 1, 2044. The bonds were delivered to classes of creditors in satisfaction of: (1) Class 12 OPEB claims the bonds were distributed to the new Voluntary Employee Beneficiary Associations (VEBA) for the general retirees and police and fire retirees; (2) Class 9 Pension Obligation Certificate (POC) claims; and (3) other unsecured bankruptcy claims. GLWA has a contractual obligation to pay a portion of the bonds based on an agreed-upon allocation percentage.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

The Financial Recovery Bonds, Series 2014-C bear interest at 5.0 percent per annum. The bonds mature on December 10, 2026. The 2014-C bonds were issued as part of the Syncora Settlement and FGIC/POC Settlement in the bankruptcy plan. GLWA has a contractual obligation to pay a portion of the bonds based on an agreed upon allocation percentage.

The following is a schedule of the obligation payable for the Financial Recovery Bonds at June 30, 2016:

	Bond Issue	Original Issue Amount	Range of Interest Rates	Maturity Date	Outstanding Ending Balance
Water fund	Series 2014-B	\$ 26,540,080	4.00 and variable	4/1/2044	\$ 15,556,025
	Series 2014-C	<u>3,829,794</u>	5.00%	12/10/2026	<u>2,021,474</u>
		<u>30,369,874</u>			<u>17,577,499</u>
Sewage disposal fund	Series 2014-B	44,233,463	4.00 and variable	4/1/2044	34,990,438
	Series 2014-C	<u>6,382,990</u>	5.00%	12/10/2026	<u>4,546,938</u>
		<u>50,616,453</u>			<u>39,537,376</u>
Total business-type activities		<u>\$ 80,986,327</u>			<u>\$ 57,114,875</u>

As of June 30, 2016, debt service requirements of the Financial Recovery Bonds were as follows:

Year Ended June 30,	Principal	Interest	Total	
Water fund	2017	\$ 152,193	\$ 723,315	\$ 875,508
	2018	159,803	715,705	875,508
	2019	167,793	707,715	875,508
	2020	176,183	699,325	875,508
	2021	184,992	690,516	875,508
	2022-2026	2,628,910	3,273,122	5,902,032
	2027-2031	3,996,209	2,491,346	6,487,555
	2032-2036	3,889,006	2,006,727	5,895,733
	2037-2041	3,889,006	1,400,042	5,289,048
	2042-2044	<u>2,333,404</u>	<u>280,009</u>	<u>2,613,413</u>
		<u>17,577,499</u>	<u>12,987,822</u>	<u>30,565,321</u>

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

	Year Ended June 30,	Principal	Interest	Total
Sewage disposal fund				
	2017	342,331	1,626,965	1,969,296
	2018	359,448	1,609,848	1,969,296
	2019	377,420	1,591,876	1,969,296
	2020	396,291	1,573,005	1,969,296
	2021	416,106	1,553,190	1,969,296
	2022-2026	5,913,253	7,362,290	13,275,543
	2027-2031	8,988,742	5,603,828	14,592,570
	2032-2036	8,747,610	4,513,767	13,261,377
	2037-2041	8,747,610	3,149,139	11,896,749
	2042-2044	5,248,565	629,828	5,878,393
		<u>39,537,376</u>	<u>29,213,736</u>	<u>68,751,112</u>
Total business-type activities		<u>\$ 57,114,875</u>	<u>\$ 42,201,558</u>	<u>\$ 99,316,433</u>

Interest expense

The following represents the amounts recorded as interest expense for the year ended June 30, 2016:

	Water Fund	Sewage Disposal Fund	Total
Bonded debt	\$ 59,125,884	\$ 73,332,356	\$ 132,458,240
Obligation payable	365,281	821,633	1,186,914
Lease payable	9,095,902	11,117,091	20,212,993
Less: amounts capitalized	(2,628,972)	(2,781,733)	(5,410,705)
	<u>\$ 65,958,095</u>	<u>\$ 82,489,347</u>	<u>\$ 148,447,442</u>

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

8. LONG-TERM LEASE PAYABLE

On January 1, 2016, the Great Lakes Water Authority effectuated lease agreements with the City of Detroit, Michigan for the regional water system and regional sewer system for a term of 40 years, to be extended automatically to coincide with the final maturity of any bonds issued to finance improvements to the regional or local sewer systems. The agreements collectively provide for an annual lease payment of \$50 million. Currently, \$22,500,000 is allocated to the water fund and \$27,500,000 is allocated to the sewage disposal fund. The lease for the Water System (the "Regional Water System") that provides service to the wholesale customers and the retail water customers of the City up the point of connection to the local Water System facilities of the City. The lease for the Sewer System (the "Regional Sewer System") provides service to the wholesale customers and the retail sewer customers of the City up to the point of connection to the local Sewer System facilities of the City. In addition, both leases provide that certain other assets including cash and investments held by DWSD as of December 31, 2015 are transferred to GLWA, all revenues of the regional and local water and sewer systems are assigned to GLWA, and that GLWA assumes all DWSD bonded debt and certain other liabilities. The long-term lease is recorded as the present value of all future debt payments.

Amounts reported as a liability at year-end represent the net present value of all future lease payments. Changes in long-term lease payable for the year ended June 30, 2016 were as follows:

	Beginning Balance [1]	Increase	Decrease	Ending Balance	Amount Due Within One Year *
Water fund	\$ 439,018,441	\$ -	\$ (3,667,045)	\$ 435,351,396	\$ 4,429,876
Sewage disposal fund	536,578,095	-	(4,481,943)	532,096,152	5,414,293
Total business-type activities	<u>\$ 975,596,536</u>	<u>\$ -</u>	<u>\$ (8,148,988)</u>	<u>\$ 967,447,548</u>	<u>\$ 9,844,169</u>

[1] See note 12 for valuation of the beginning balances at the date of bifurcation.

* The current portion of the long-term lease payable represents the 12 monthly payments required from July 1, 2016 through June 30, 2017. Future revenues are intended to cover these payments.

Principal and interest portions of the lease payable for the year ended June 30, 2016 were as follows:

	Water	Sewage Disposal	Total
Gross future payments	\$ 888,750,000	\$ 1,086,250,000	\$1,975,000,000
Less: interest	<u>(453,398,604)</u>	<u>(554,153,848)</u>	<u>(1,007,552,452)</u>
Total principal remaining	<u>\$ 435,351,396</u>	<u>\$ 532,096,152</u>	<u>\$ 967,447,548</u>

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

9. RISK MANAGEMENT / SELF-INSURANCE PROGRAMS

The Authority is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job related illnesses or injuries to employees; natural disasters; and environmental occurrences. Also included are risk of loss associated with providing medical benefits to employees.

The Authority purchases a variety of insurance policies including: public official's and employment practices liability insurance, property insurance, pollution legal liability insurance and casualty insurance for workers' compensation, general liability, and automobile liability. The Authority purchases excess liability insurance for its casualty program which provides per occurrence and aggregate protection for up to \$8 million. The Authority's retention is \$1,250,000 for workers' compensation and \$250,000 for general liability and automobile. The Authority also has coverage under a pollution legal liability policy with limits of \$50 million, a property insurance policy with limits of \$750 million and a public officials policy with limits of \$25 million.

A liability for claims is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of recent claim settlement trends including frequency and amount of payouts and other economic and social factors. The claim liabilities also include estimated costs for claim administration fees and outside legal and medical assistance costs. The liabilities for workers' compensation current year claims is based on estimates and payments are based on actuals.

Under most circumstances, the Authority's maximum loss retention per occurrence was as follows:

Type of Risk	Maximum Retention Per Occurrence
Workers' compensation	\$1,250,000 per occurrence
General and automobile liability	\$250,000 per occurrence
Motor vehicle physical damage	Authority assumes all risk
Property damage	\$1,000,000 per occurrence
Public officials	\$250,000 per occurrence
Pollution legal liability	\$500,000 per occurrence

The Authority estimates the liability for medical and worker's compensation 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, which includes estimates of both future payments of losses and related claim adjustments expense. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from settlement of losses will be reflected in earnings at the time the adjustments are determined.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Medical insurance. The Authority provides medical benefits to a significant number of employees through a self-insured health plan that is administered by third party administrators. The Authority purchased stop loss insurance for its self insured health plan with terms of \$300,000 per contract to reduce risk exposure for the group. The self-insured program is administered by a third-party administrator who provides claims review and processing services as well as illustrated premium rates, which are anticipated, over time, to approximate the actual cost of benefits.

	2016
Unpaid claims, beginning of year	\$ -
Incurred claims (including change in IBNR provisions)	4,565,983
Claims payments	<u>(3,632,416)</u>
Unpaid claims, end of year	<u>\$ 933,567</u>

Workers' compensation. The Authority maintains a self insurance program for workers' compensation coverage up to the amount of its retention. The program is administered by a third-party who provides claim review and medical bill review services.

Changes in the balances of claims liabilities during the past two years are as follows:

	2016
Unpaid claims, beginning of year	\$ -
Incurred claims	533,897
Claims payments	<u>(182,666)</u>
Unpaid claims, end of year	<u>\$ 351,231</u>

GLWA is also responsible for workers' compensation claims transferred from DWSD at bifurcation. This liability is \$684,722 at June 30, 2016.

10. DEFINED CONTRIBUTION PENSION PLAN

Defined Contribution Plans

The Great Lakes Water Authority Defined Contribution Retirement Plan is a 401(a) governmental money purchase plan administered by ICMA Retirement Corporation (the "Administrator") to provide benefits at retirement to all full-time employees of the Authority. The Authority contributes 6.0% of earnings to the plan. The Authority will make an additional contribution to the 401(a) plan to match employee pre-tax contributions under the Great Lakes Water Authority 457 Plan up to 3% of compensation. Employees are 100% vested after three years of service (cliff vesting). Employees who transferred to the Authority on or around January 1, 2016 from the City of Detroit Water and Sewerage Department retain their years of service for vesting purposes. The employer contributions totaled \$1.87 million for the year ended June 30, 2016. At June 30, 2016, there were 757 plan members.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

The Great Lakes Water Authority Defined Contribution Plan Make-Up Benefit Plan is a 401(a) governmental money purchase plan administered by ICMA Retirement Corporation (the "Administrator") to provide benefits at retirement to all employees who terminated employment with the City of Detroit Water and Sewerage Department on or around January 1, 2016 and were not vested in the City of Detroit General Retirement System (GRS). Eligible employees are required to roll over to the Authority's Section 457 Deferred Compensation Plan their refunded employee mandatory contribution from GRS. The amount of the make-up benefit will be determined by an actuary based on the present value of the lost GRS benefit. Employees are 100% vested after one year of service.

The Authority has also adopted a Section 457 Deferred Compensation Plan which employees can make pre-tax contributions which are immediately 100% vested.

Retirement Health Savings Plan

The Authority also provides a Retirement Health Savings Program for full-time employees. Employees are required to contribute \$10 per pay period and the Authority contributes \$80 per pay period. Employees are 100% vested after three years of service (cliff vesting). Employees who transferred to the Authority on or around January 1, 2016 from the City of Detroit Water and Sewerage Department retain their years of service for vesting purposes. The employer contributions were approximately \$717,000 and employee contributions were approximately \$90,000 for the year ended June 30, 2016.

11. NET PENSION LIABILITY (SPECIAL FUNDING SITUATION)

As part of the City of Detroit bankruptcy plan of adjustment (POA) and the bifurcation agreement between the City and GLWA (*see Note 12*), the Authority has assumed responsibility for a substantial portion of DWSD's net pension liability for the legacy pension plan (also referred to as "Component II"). The liability for the hybrid pension plan (also referred to as "Component I") is limited to accrued contributions assumed on January 1, 2016 which are not substantial. This constitutes a special funding situation pursuant to the provisions of GASB 68, *Accounting and Financial Reporting for Pensions*. As such, while no Authority employees earn service credit in the legacy or hybrid plans, GLWA is legally responsible for making substantial contributions to a pension plan of another entity and, accordingly, must record a net pension liability for its proportion and make such following disclosures regarding the plan as required by the standard.

Plan Administration. The Authority contributes to (and DWSD participates in) the City of Detroit General Employees' Retirement System (GRS or the "System"). The System is a single employer plan composed of a defined benefit plan component and a defined contribution annuity plan component. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. The plan is administered by its own board of trustees. Plan members include active employees, retirees and beneficiaries from various departments within the City. Benefit terms have been established by contractual agreements between the City and the employees' collective bargaining units; amendments are subject to the same process.

The System issues publicly available financial reports that include financial statements and the required supplementary information. The reports can be obtained from City of Detroit Retirement Systems, One Detroit Center, 500 Woodward Ave., Suite 3000, Detroit, MI 48226 or obtained from Systems' website (www.rscd.org). Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Benefits Provided. Plan members may retire at age 55 or 60 with 5, 8, 10 or 25 years of credited service depending on which group the employee is in. Members are vested after completing 5, 8 or 10 years of credited service. Retirement options that provide for survivor benefits are available to members. The Plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary.

Component II - Component II is the legacy plan, the original defined benefit plan, which includes a defined benefit component and a defined contribution component. Component II generally applies to benefits accrued by members prior to July 1, 2014. The plan provides retirement, disability, and survivor benefits to plan members and beneficiaries. Except as specifically provided in combined plan, benefits provided under Component II are frozen effective June 30, 2014. Component II also includes the income stabilization fund. The fund, a part of Component II and established as a provision of the POA, was established for the sole purpose of paying the income stabilization benefits to eligible pensioners. Complete details regarding the Component II benefits and changes in those benefits by virtue of the POA are presented in the System financial statements.

Component I - Component I is considered a "hybrid" plan because it includes a defined benefit and defined contribution components. Component I applies to benefits accrued by GRS members on and after July 1, 2014. The Component I plans provide retirement, disability, and survivor benefits to plan members and beneficiaries.

Employer Contributions. Following are the employer contributions, including the Authority's nonemployer contribution, for the respective components:

Component II - Employer contributions to the GRS were determined by the provisions of the POA. Included within contributions in Component II are amounts sourced from the sale of City-owned artwork with proceeds from the Foundation for Detroit's Future in the amount of \$32,886,827 along with \$4,005,830 from unlimited tax general obligation bonds and \$67,900,000 of contributions from the City and related entities. Employer contributions were also made into the income stabilization fund for \$1,689,857 from the bond proceeds.

The POA obligates DWSD to pay \$2,500,000 per year towards administrative costs and annual plan contributions of \$42,900,000 million per year in total for both water and sewer employees, until 2023. Pursuant to the leases, the Authority is obligated to pay its allocable share of such liability. The portion allocated to the Authority is \$31,912,200 for the fiscal year 2016. Subsequent to 2023, DWSD and the Authority will be responsible for paying their allocable share of any additional amounts that are actuarially determined to be payable.

Component I - Per the combined plan, commencing July 1, 2014 and ending June 23, 2023, the City is required to contribute 5% compensation. During the fiscal year 2016 the City and related entities contributed \$9,048,831. The Authority paid \$484,432 from the water fund and \$957,330 from the sewage disposal fund in June of 2016 to exhaust its obligation for this liability.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

DWSD Employee Contributions. Contribution requirements of plan members are established and may be amended by the board of trustees in accordance with the City Charter, union contracts, and plan provisions. For the year ended June 30, 2016, there were minimal employee contributions into Component II, only related to military service credit, as the plan was frozen as of June 30, 2014; contributions into Component I began thereafter. With respect to Component I employees who are members of Component II are now required to make mandatory contributions of 4 percent of pay toward their defined benefit. Additionally, employees can make voluntary contributions of 3, 5, or 7 percent of annual pay. During fiscal year 2016, the plan received voluntary employee contributions of \$12,559,259. The populations for Component I includes only City of Detroit employees. GLWA employees ceased to be considered employees for Component I effective January 1, 2016.

Net Pension Liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions.

Inflation	NA
Salary increases	NA
Investment rate of return	7.61%, net of investment expense and including inflation

The actuarial assumptions were based on an experience study from 2008-2013 issue in February 2015; the mortality table assumption was based on RP-2014 Blue Collar Annuitant Table for males and females. The tables are projected to be fully generational, based on two-dimensional sex distinct mortality scale MP-2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These real 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. For each asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global multi-sector fixed	6.0%	2.7%	0.16%
Global equity	43.0%	6.2%	2.67%
Long duration fixed	2.0%	2.0%	0.04%
Absolute return fixed	4.0%	2.3%	0.09%
Private equity	8.0%	7.4%	0.59%
Cash	1.0%	1.0%	0.01%
Real estate	10.0%	4.4%	0.44%
Global asset allocation/risk parity/real assets	21.0%	5.2%	1.09%
Hedge funds	5.0%	4.7%	0.24%
	<u>100.0%</u>		5.33%
Inflation			<u>2.28%</u>
Investment rate of return			<u>7.61%</u>

Discount Rate. The discount rate used to measure the total pension liability was 7.61%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Changes in the Net Pension Liability. The components of the change in the Authority's share of the net pension liability are summarized as follows:

	Water	Sewage Disposal	Total
Total pension liability	\$ 202,696,454	\$ 362,762,305	\$ 565,458,759
Plan fiduciary net position	(141,675,375)	(253,553,946)	(395,229,321)
Authority's net pension liability	<u>\$ 61,021,079</u>	<u>\$ 109,208,359</u>	<u>\$ 170,229,438</u>

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Water			
Balances at June 30, 2015	<u>\$ 265,601,617</u>	<u>\$ 134,145,578</u>	<u>\$ 131,456,039</u>
Changes for the year:			
Service cost	-	-	-
Interest	18,422,673	-	18,422,673
Differences between expected and actual experience	(153,112)	-	(153,112)
Changes in assumptions	(7,093,982)	-	(7,093,982)
Benefit changes	(54,618,440)	-	(54,618,440)
Employer contributions	-	10,808,000	(10,808,000)
Employee contributions	-	46,941	(46,941)
Net investment income	-	6,194,355	(6,194,355)
Benefit payments, including refunds of employee contributions	(19,462,302)	(19,462,302)	-
Administrative expense	-	(7,633)	7,633
Other changes	-	9,950,436	(9,950,436)
Net changes	<u>(62,905,163)</u>	<u>7,529,797</u>	<u>(70,434,960)</u>
Balances at June 30, 2016	<u>\$ 202,696,454</u>	<u>\$ 141,675,375</u>	<u>\$ 61,021,079</u>

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Sewer			
Balances at June 30, 2015	\$ 475,342,576	\$ 240,077,999	\$ 235,264,577
Changes for the year:			
Service cost	-	-	-
Interest	32,970,738	-	32,970,738
Differences between expected and actual experience	(274,022)	-	(274,022)
Changes in assumptions	(12,695,976)	-	(12,695,976)
Benefit changes	(97,749,668)	-	(97,749,668)
Employer contributions	-	19,342,889	(19,342,889)
Employee contributions	-	84,010	(84,010)
Net investment income	-	11,085,930	(11,085,930)
Benefit payments, including refunds of employee contributions	(34,931,342)	(34,931,342)	-
Administrative expense	-	(13,661)	13,661
Other changes	-	17,808,122	(17,808,122)
Net changes	<u>(112,680,270)</u>	<u>13,375,948</u>	<u>(126,056,218)</u>
Balances at June 30, 2016	<u>\$ 362,662,306</u>	<u>\$ 253,453,947</u>	<u>\$ 109,208,359</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Authority, calculated using the discount rate of 7.61%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.61%) or 1% higher (8.61%) than the current rate:

	1% Decrease (6.61%)	Current Discount Rate (7.61%)	1% Increase (8.61%)
Water	\$ 80,243,511	\$ 61,021,079	\$ 44,688,415
Sewage disposal	143,610,411	109,208,359	79,978,077
Authority's net pension liability	<u>\$ 223,853,922</u>	<u>\$ 170,229,438</u>	<u>\$ 124,666,492</u>

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. Because the net pension liability was measured as of June 30, 2015 (prior to the Authority commencing financial operations), and all employer contributions to the plan subsequent to the measurement date were deferred, the water fund and sewage disposal fund recognized no pension expense for the year ended June 30, 2016. At June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
<i>Water</i>			
Net difference between projected and actual earnings on pension plan investments	\$ 2,809,762	\$ 9,848,513	\$ (7,038,751)
Differences in assumptions	-	5,688,308	(5,688,308)
Employer contributions to the plan subsequent to the measurement date	10,810,800	-	10,810,800
	<u>13,620,562</u>	<u>15,536,821</u>	<u>(1,916,259)</u>
<i>Sewage disposal</i>			
Net difference between projected and actual earnings on pension plan investments	5,028,581	17,625,980	(12,597,399)
Differences in assumptions	-	10,179,997	(10,179,997)
Employer contributions to the plan subsequent to the measurement date	19,347,900	-	19,347,900
	<u>24,376,481</u>	<u>27,805,977</u>	<u>(3,429,496)</u>
Total business-type activities	<u>\$ 37,997,043</u>	<u>\$ 43,342,798</u>	<u>\$ (5,345,755)</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Water	Sewage Disposal	Total
2016	\$ (8,268,554)	\$ (14,798,088)	\$ (23,066,642)
2017	(2,580,398)	(4,618,093)	(7,198,491)
2018	(2,580,398)	(4,618,092)	(7,198,490)
2019	702,291	1,256,877	1,959,168
Total	<u>\$ (12,727,059)</u>	<u>\$ (22,777,396)</u>	<u>\$ (35,504,455)</u>

Payable to the pension plan. At June 30, 2016, the Authority did not have any outstanding contributions payable to the pension plan for the year then ended.

As noted above, the net pension liability is a contractual obligation to the City of Detroit, and as such, presenting RSI schedules for the plan is not necessary or applicable.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

12. BEGINNING BALANCES FROM BIFURCATION

As described in Note 8, the Authority leased the regional water and sewage disposal system from DWSD. As part of the transaction, the Authority assumed various assets and liabilities from the City, determined by agreement through a bifurcation of DWSD's balance sheet accounts. Through this process, the assets and liabilities attributed to the Authority were first determined at net book value (or cost) and then adjusted to acquisition value in accordance with the provisions of GASB 69, as illustrated in the schedules below. Initially, related to this process, the acquisition value of capital assets as calculated through a valuation by a third party specialist were greater than values shown below; however, because this resulted in the total assets exceeding the total liabilities, this difference was applied against the capital assets as provided for in GASB 69. Following is a summary of the beginning balances recorded by the Authority at acquisition value:

	DWSD Net Book Value	GASB 69 Adjustment	Total Acquisition Value
Water fund			
Cash, cash equivalents and investments	\$ 421,010,047	\$ -	\$ 421,010,047
Receivables, net	77,066,610	-	77,066,610
Contractual obligation receivable	475,000,000	-	475,000,000
Capital assets	1,383,554,363	810,687,098	2,194,241,461
Other assets	211,981,134	-	211,981,134
Bonds	(2,415,866,614)	(150,565,373)	(2,566,431,987)
Other liabilities	(812,867,265)	-	(812,867,265)
Total water fund	(660,121,725)	660,121,725	-
Sewage disposal fund			
Cash, cash equivalents and investments	471,794,999	-	471,794,999
Receivables, net	141,974,382	-	141,974,382
Contractual obligation receivable	375,000,000	-	375,000,000
Capital assets	2,293,474,839	775,519,175	3,068,994,014
Other assets	346,709,598	-	346,709,598
Bonds	(3,413,803,925)	(61,463,913)	(3,475,267,838)
Other liabilities	(929,205,155)	-	(929,205,155)
Total sewage disposal fund	(714,055,262)	714,055,262	-
Total business-type activities	\$(1,374,176,987)	\$1,374,176,987	\$ -

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

13. COMMITMENTS AND CONTINGENCIES

Capital improvement program

The Authority is engaged in a variety of projects that are a part of its five year Capital Improvement Program (the Program). The total cost of this Program is anticipated to be approximately \$752.1 million for the water fund and \$586.8 million for the sewage disposal fund through fiscal year 2021. The Program is being financed primarily from revenues of the Authority and proceeds from the issuance of revenue bonds.

The total amount of construction contract commitments outstanding at June 30, 2016 was approximately \$45.6 million for the water fund and \$112.7 million for the sewage disposal fund.

Contingencies

The Authority is subject to various government environmental laws and regulations. GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, established accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remedial activities such as site assessments and cleanups. The standard excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post closure care. The Authority determined that there were no estimated pollution remediation obligations to be recorded at June 30, 2016.

The operation of the sewage disposal fund's operations are subject to regulation pursuant to the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977 and the Water Quality Act of 1987 (collectively, the Clean Water Act). Included in the regulatory framework established by the Clean Water Act is the National Pollutant Discharge Elimination System (NPDES) permit program, which requires operation of wastewater system facilities according to discharge limitations and other requirements as set forth in permits issued to each facility. The Environmental Protection Agency (EPA) has authorized the Michigan Department of Environmental Quality (MDEQ) to implement and enforce the federal NPDES permit program. The sewage disposal fund operates pursuant to an NPDES permit that is in effect through October 1, 2017.

The Authority is also a defendant in numerous alleged claims, lawsuits, billing disputes, and other stated and pending demands. The Authority's Legal Department has estimated a reserve of \$4,494,694 for the water fund and \$26,183,600 for the sewage disposal fund, which is included in the accompanying financial statements, for the potential outcome of such claims or the amount of potential damages in the event of an unfavorable outcome for each of the above contingencies. The Authority's management believes that any differences in reserved amounts and final settlement, after consideration of claims covered by insurance, resulting from such litigation will not materially impact the Authority's financial position or results of operations.

The Authority holds various commercial insurance policies to cover other potential loss exposures.

GREAT LAKES WATER AUTHORITY

Notes To Financial Statements

Bifurcation Estimates

The Authority and DWSD have been meeting regularly since the date of the operational effective date, January 1, 2016, to clarify certain matters related to implementation of the water and sewer system leases. While significant progress has been made as it relates to the allocation of capital assets as a basis for allocation of bonded indebtedness, the exact methodology and dollar amount has not been determined. As of the date of this report, July 31, 2017, Management has used estimates to record the Contractual Obligation Receivable (current and noncurrent) and the Obligation Payable - City of Detroit 2014 Financial Recovery Bonds.

14. SUBSEQUENT EVENTS

New Debt Issues and Bond Refundings

On October 27, 2016, the Authority issued its inaugural bond refunding and new money water transaction. The Authority issued \$917,805,000 of Water Supply System Revenue Bonds (\$251,830,000 in new money and \$665,975,000 in refunding bonds) and \$421,295,000 of Sewage Disposal System Revenue Refunding Bonds. The net present value savings from the refunding transactions was a total of \$191.94 million with \$120.78 million for the water fund and \$71.16 million for the sewage disposal fund.

Debt Ratings

On September 30, 2016 Fitch Ratings upgraded the ratings to the Authority's water and sewer senior lien and second lien bonds to A/A-, respectively.

Also on September 30, 2016, Moody's Investors Service upgraded the ratings to the Authority's water and sewer senior lien and second lien bonds to A3/Baa1, respectively.

All rating actions above apply to all bonds assumed by GLWA that were previously issued by the City and the Michigan Finance Authority on behalf of the Detroit Water and Sewerage Department.

Pending Litigation

On July 8 and August 16, 2016, extraordinary rain events occurred in the City of Detroit which impacted the GLWA and DWSD systems. On October 3, 2016, a class action complaint related to these events was filed in Wayne Circuit Court, entitled Gail Beasley v City of Detroit and Great Lakes Water Authority, case number 16-012602NZ. DWSD filed a cross-complaint against GLWA which was subsequently dismissed with prejudice. In June 2017, both DWSD's Board of Water Commissioners and GLWA's Board of Directors passed resolutions authorizing their respective counsel to enter into agreements related to the coordinated defense of the Beasley litigation as well as allocation and mitigation of risk for either party related to the settlement of claims and final disposition of the case.



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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Combining Schedule of Net Position

 Water Fund
 June 30, 2016

	Business-type Activities - Enterprise Funds			
	Water Operations	Water Improvement and Extension	Water Construction Projects	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 88,464,592	\$ 67,248,299	\$ -	\$ 155,712,891
Restricted cash and cash equivalents	53,028,844	-	-	53,028,844
Restricted cash on deposit with trustee	10,430	-	-	10,430
Investments	11,579,681	-	-	11,579,681
Restricted investments	27,818,000	-	-	27,818,000
Receivables:				
Billed	37,629,170	-	-	37,629,170
Unbilled	32,307,945	-	-	32,307,945
Other	21,899,046	-	-	21,899,046
Allowance for doubtful accounts	(25,040,612)	-	-	(25,040,612)
Due from other governments	41,486,157	-	-	41,486,157
Contractual obligation receivable	6,851,584	-	-	6,851,584
Due from other funds	-	-	-	-
Prepaid items	2,183,690	-	-	2,183,690
Total current assets	<u>298,218,527</u>	<u>67,248,299</u>	<u>-</u>	<u>365,466,826</u>
Noncurrent assets:				
Restricted cash and cash equivalents	5,460,942	-	-	5,460,942
Restricted investments	42,841,345	-	-	42,841,345
Contractual obligation receivable	466,317,666	-	-	466,317,666
Assets not subject to depreciation	415,558,090	-	-	415,558,090
Capital assets being depreciated, net	1,728,054,410	-	-	1,728,054,410
Prepaid insurance on debt	20,831,496	-	-	20,831,496
Total noncurrent assets	<u>2,679,063,949</u>	<u>-</u>	<u>-</u>	<u>2,679,063,949</u>
Total assets	<u>2,977,282,476</u>	<u>67,248,299</u>	<u>-</u>	<u>3,044,530,775</u>
Deferred outflows of resources				
Deferred loss on refunding	116,511,949	-	-	116,511,949
Deferred pension amounts	13,620,562	-	-	13,620,562
Total deferred outflows of resources	<u>130,132,511</u>	<u>-</u>	<u>-</u>	<u>130,132,511</u>

continued...

Combining Schedule of Net Position

Water Fund
June 30, 2016

	Business-type Activities - Enterprise Funds			
	Water Operations	Water Improvement and Extension	Water Construction Projects	Total
Liabilities				
Current liabilities:				
Accounts and contracts payable	\$ 26,579,435	\$ 414,065	\$ 22,481,027	\$ 49,474,527
Accrued salaries, wages and benefits	2,887,280	-	-	2,887,280
Other accrued liabilities	875,796	-	-	875,796
Due to other governments	13,668,890	-	-	13,668,890
Due to other funds	65,971	-	-	65,971
Interest payable	37,226,125	-	-	37,226,125
Current portion of:				
Long-term debt	35,650,167	-	-	35,650,167
Obligation payable	152,193	-	-	152,193
Lease payable	4,429,876	-	-	4,429,876
Accrued compensated absences	1,784,746	-	-	1,784,746
Accrued workers' compensation	395,788	-	-	395,788
Claims and judgments	4,494,694	-	-	4,494,694
Total current liabilities	<u>128,210,961</u>	<u>414,065</u>	<u>22,481,027</u>	<u>151,106,053</u>
Noncurrent liabilities:				
Other noncurrent liabilities	2,710,092	-	-	2,710,092
Long-term debt	2,488,824,632	-	-	2,488,824,632
Long-term lease payable	430,921,520	-	-	430,921,520
Obligation payable	17,425,306	-	-	17,425,306
Accrued compensated absences	3,511,934	-	-	3,511,934
Accrued workers' compensation	3,562,536	-	-	3,562,536
Net pension liability	61,021,079	-	-	61,021,079
Total noncurrent liabilities	<u>3,007,977,099</u>	<u>-</u>	<u>-</u>	<u>3,007,977,099</u>
Total liabilities	<u>3,136,188,060</u>	<u>414,065</u>	<u>22,481,027</u>	<u>3,159,083,152</u>
Deferred inflows of resources				
Deferred interest rate swap terminations	4,134,908	-	-	4,134,908
Deferred pension amounts	15,536,821	-	-	15,536,821
Total deferred inflows of resources	<u>19,671,729</u>	<u>-</u>	<u>-</u>	<u>19,671,729</u>
Net position				
Investment in capital assets	400,187,482	-	-	400,187,482
Restricted for debt service	69,797,836	-	-	69,797,836
Restricted for capital acquisition	-	-	-	-
Restricted for payment assistance program	977,278	-	-	977,278
Unrestricted (deficit)	(519,407,398)	66,834,234	(22,481,027)	(475,054,191)
Total net position	<u>\$ (48,444,802)</u>	<u>\$ 66,834,234</u>	<u>\$ (22,481,027)</u>	<u>\$ (4,091,595)</u>

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Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

Water Fund

For the Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds			Total
	Water Operations	Water Improvement and Extension	Water Construction Projects	
Operating revenues				
Wholesale customer charges	\$ 160,777,169	\$ -	\$ -	\$ 160,777,169
Local system charges	6,833,500	-	-	6,833,500
Other revenues	54,863	-	-	54,863
Total operating revenues	167,665,532	-	-	167,665,532
Operating expenses				
Personnel	8,301,022	-	-	8,301,022
Contractual services	3,304,113	-	-	3,304,113
Utilities	12,368,557	-	-	12,368,557
Chemicals	2,444,543	-	-	2,444,543
Centralized services	18,494,851	-	-	18,494,851
Administrative services	3,191,929	-	-	3,191,929
Supplies and other expenses	1,440,644	-	-	1,440,644
Depreciation	71,295,545	-	-	71,295,545
Total operating expenses	120,841,204	-	-	120,841,204
Operating income (loss)	46,824,328	-	-	46,824,328
Nonoperating revenues (expenses)				
Earnings on investments	520,891	-	(128,860)	392,031
Interest income	12,231,250	-	-	12,231,250
Interest expense, net of capitalized interest	(65,958,095)	-	-	(65,958,095)
Amortization of debt related items	2,418,891	-	-	2,418,891
Capital outlay	20,679,387	(589,681)	(20,089,706)	-
Total nonoperating revenues (expenses)	(30,107,676)	(589,681)	(20,218,566)	(50,915,923)
Loss before contributions and transfers	16,716,652	(589,681)	(20,218,566)	(4,091,595)
Other financing sources (uses)				
Transfers, opening balances	(14,739,286)	14,137,219	602,067	-
Transfers, operating	(50,422,168)	53,286,696	(2,864,528)	-
Change in net position	(48,444,802)	66,834,234	(22,481,027)	(4,091,595)
Net position, beginning of year	-	-	-	-
Net position, end of year	\$ (48,444,802)	\$ 66,834,234	\$ (22,481,027)	\$ (4,091,595)

Combining Schedule of Net Position

Sewage Disposal Fund

June 30, 2016

	Sewer Operations	Sewer Improvement and Extension	Sewer Construction Projects	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 42,523,625	\$ 113,498,670	\$ -	\$ 156,022,295
Restricted cash and cash equivalents	63,571,571	-	17,609,853	81,181,424
Restricted cash on deposit with trustee	51,648	-	-	51,648
Investments	32,041,080	-	-	32,041,080
Restricted investments	28,843,000	-	-	28,843,000
Receivables:				
Billed	48,046,934	-	-	48,046,934
Unbilled	23,037,391	-	-	23,037,391
Other	92,748,989	-	-	92,748,989
Allowance for doubtful accounts	(98,968,630)	-	-	(98,968,630)
Due from other governments	66,202,143	-	-	66,202,143
Contractual obligation receivable	5,077,675	-	-	5,077,675
Due from other funds	65,971	-	-	65,971
Prepaid items	381,122	-	26,237	407,359
Inventories	9,984,063	-	-	9,984,063
Total current assets	313,606,582	113,498,670	17,636,090	444,741,342
Noncurrent assets:				
Restricted cash and cash equivalents	8,772,015	-	146,716,765	155,488,780
Restricted investments	62,186,734	-	-	62,186,734
Contractual obligation receivable	366,254,075	-	-	366,254,075
Assets not subject to depreciation	295,876,258	-	-	295,876,258
Capital assets being depreciated, net	2,699,891,145	-	-	2,699,891,145
Prepaid insurance on debt	27,822,085	-	-	27,822,085
Total noncurrent assets	3,460,802,312	-	146,716,765	3,607,519,077
Total assets	3,774,408,894	113,498,670	164,352,855	4,052,260,419
Deferred outflows of resources				
Deferred interest rate swap terminations	212,147,508	-	-	212,147,508
Deferred pension amounts	24,376,481	-	-	24,376,481
Total deferred outflows of resources	236,523,989	-	-	236,523,989

continued...

Combining Schedule of Net Position

Sewage Disposal Fund
June 30, 2016

	Sewer Operations	Sewer Improvement and Extension	Sewer Construction Projects	Total
Liabilities				
Current liabilities:				
Accounts and contracts payable	\$ 18,820,510	\$ 133,655	\$ 17,197,922	\$ 36,152,087
Other accrued liabilities	592,722	-	81,736	674,458
Due to other governments	24,177,474	-	47,539	24,225,013
Due to other funds	(1,625,722)	1,625,722	-	-
Interest payable	43,912,888	-	-	43,912,888
Current portion of:				
Long-term debt	60,902,189	-	-	60,902,189
Obligation payable	342,331	-	-	342,331
Lease payable	5,414,293	-	-	5,414,293
Accrued compensated absences	454,630	-	-	454,630
Accrued workers' compensation	390,165	-	-	390,165
Claims and judgments	269,250	-	-	269,250
Total current liabilities	<u>153,650,730</u>	<u>1,759,377</u>	<u>17,327,197</u>	<u>172,737,304</u>
Noncurrent liabilities:				
Other noncurrent liabilities	5,912,693	-	-	5,912,693
Long-term debt	3,387,291,190	-	-	3,387,291,190
Long-term lease payable	526,681,859	-	-	526,681,859
Obligation payable	39,195,045	-	-	39,195,045
Accrued workers' compensation	4,390,938	-	-	4,390,938
Claims and judgments	25,914,350	-	-	25,914,350
Net pension liability	109,208,359	-	-	109,208,359
Total noncurrent liabilities	<u>4,098,594,434</u>	<u>-</u>	<u>-</u>	<u>4,098,594,434</u>
Total liabilities	<u>4,252,245,164</u>	<u>1,759,377</u>	<u>17,327,197</u>	<u>4,271,331,738</u>
Deferred inflows of resources				
Deferred interest rate swap terminations	238,978	-	-	238,978
Deferred pension amounts	27,805,977	-	-	27,805,977
Total deferred inflows of resources	<u>28,044,955</u>	<u>-</u>	<u>-</u>	<u>28,044,955</u>
Net position				
Investment in capital assets	451,547,037	-	-	451,547,037
Restricted for debt service	108,742,193	-	-	108,742,193
Restricted for capital acquisition	164,326,618	-	-	164,326,618
Restricted for payment assistance program	-	-	-	-
Unrestricted (deficit)	(993,973,084)	111,739,293	147,025,658	(735,208,133)
Total net position	<u>\$ (269,357,236)</u>	<u>\$ 111,739,293</u>	<u>\$ 147,025,658</u>	<u>\$ (10,592,285)</u>

concluded.

Combining Schedule of Revenues, Expenses and Changes in Fund Net Position

Sewage Disposal Fund

For the Year Ended June 30, 2016

	Sewer Operations	Sewer Improvement and Extension	Sewer Construction Projects	Total
Operating revenues				
Wholesale customer charges	\$ 121,106,353	\$ -	\$ -	\$ 121,106,353
Industrial waste charges	6,910,192	-	-	6,910,192
Pollutant surcharges	2,423,910	-	-	2,423,910
Local system charges	95,826,900	-	-	95,826,900
Other revenues	4,197,614	-	-	4,197,614
Total operating revenues	230,464,969	-	-	230,464,969
Operating expenses				
Personnel	13,289,741	-	-	13,289,741
Contractual services	13,875,756	-	-	13,875,756
Utilities	12,668,942	-	-	12,668,942
Chemicals	4,006,941	-	-	4,006,941
Centralized services	16,733,431	-	-	16,733,431
Administrative services	7,342,499	-	-	7,342,499
Supplies and other expenses	16,462,711	-	-	16,462,711
Depreciation	86,021,029	-	-	86,021,029
Total operating expenses	170,401,050	-	-	170,401,050
Operating income (loss)	60,063,919	-	-	60,063,919
Nonoperating revenues (expenses)				
Earnings on investments	586,072	-	503,295	1,089,367
Interest income	8,831,250	-	-	8,831,250
Interest expense, net of capitalized interest	(82,489,347)	-	-	(82,489,347)
Amortization of debt related items	(363,167)	-	-	(363,167)
Capital outlay	18,179,011	(1,694,729)	(16,484,282)	-
Gain on disposal of capital assets	275,693	-	-	275,693
Total nonoperating revenues (expenses)	(54,980,488)	(1,694,729)	(15,980,987)	(72,656,204)
Loss before contributions and transfers	5,083,431	(1,694,729)	(15,980,987)	(12,592,285)
Capital contributions from debt forgiveness	-	-	2,000,000	2,000,000
Other financing sources (uses)				
Transfers, opening balances	(169,191,040)	8,184,395	161,006,645	-
Transfers, operating	(105,249,627)	105,249,627	-	-
Change in net position	(269,357,236)	111,739,293	147,025,658	(10,592,285)
Net position, beginning of year	-	-	-	-
Net position, end of year	\$ (269,357,236)	\$ 111,739,293	\$ 147,025,658	\$ (10,592,285)

Schedule of Operations and Maintenance Expense for Water Operations

 Cost Type Category - Budget and Actual
 For the Year Ended June 30, 2016*

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Operating expenses				
Personnel				
Salaries and wages	\$ 7,471,100	\$ 7,471,100	\$ 8,621,304	\$ 1,150,204
Overtime	1,513,800	1,513,800	1,138,492	(375,308)
Employee benefits	2,898,900	2,898,900	3,315,469	416,569
Subtotal - personnel costs	<u>11,883,800</u>	<u>11,883,800</u>	<u>13,075,265</u>	<u>1,191,465</u>
Contractual services	<u>17,210,600</u>	<u>17,210,600</u>	<u>18,534,824</u>	<u>1,324,224</u>
Utilities				
Electric	17,178,800	17,178,800	11,657,179	(5,521,621)
Gas	726,000	726,000	485,700	(240,300)
Water	3,100	3,100	24,000	20,900
Sewage	375,100	375,100	251,900	(123,200)
Subtotal - utilities	<u>18,283,000</u>	<u>18,283,000</u>	<u>12,418,779</u>	<u>(5,864,221)</u>
Chemicals	<u>4,086,800</u>	<u>4,086,800</u>	<u>2,444,543</u>	<u>(1,642,257)</u>
Supplies and other	<u>4,364,000</u>	<u>4,364,000</u>	<u>3,072,248</u>	<u>(1,291,752)</u>
Total operating expenses	<u>\$ 55,828,200</u>	<u>\$ 55,828,200</u>	<u>\$ 49,545,659</u>	<u>\$ (6,282,541)</u>

* Financial operations commenced on January 1, 2016, so this statement includes only six months of activity.

Schedule of Operations and Maintenance Expense for Sewer Operations

Cost Type Category - Budget and Actual
For the Year Ended June 30, 2016*

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Operating expenses				
Personnel				
Salaries and wages	\$ 14,196,000	\$ 14,196,000	\$ 11,156,168	\$ (3,039,832)
Overtime	3,324,700	3,324,700	2,465,251	(859,449)
Employee benefits	5,872,700	5,872,700	5,614,514	(258,186)
Subtotal - personnel costs	<u>23,393,400</u>	<u>23,393,400</u>	<u>19,235,933</u>	<u>(4,157,467)</u>
Contractual services	<u>28,489,400</u>	<u>28,489,400</u>	<u>30,306,856</u>	<u>1,817,456</u>
Utilities				
Electric	8,208,000	8,208,000	6,898,981	(1,309,019)
Gas	4,936,700	4,936,700	2,719,100	(2,217,600)
Water	1,600,100	1,600,100	2,642,600	1,042,500
Sewage	268,100	268,100	453,700	185,600
Subtotal - utilities	<u>15,012,900</u>	<u>15,012,900</u>	<u>12,714,381</u>	<u>(2,298,519)</u>
Chemicals	<u>11,141,900</u>	<u>11,141,900</u>	<u>4,006,941</u>	<u>(7,134,959)</u>
Supplies and other	<u>9,095,100</u>	<u>9,095,100</u>	<u>18,115,910</u>	<u>9,020,810</u>
Total operating expenses	<u>\$ 87,132,700</u>	<u>\$ 87,132,700</u>	<u>\$ 84,380,021</u>	<u>\$ (2,752,679)</u>

* Financial operations commenced on January 1, 2016, so this statement includes only six months of activity.

Schedule of Days Cash - Liquidity			
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June 30, 2016			
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	Water Fund	Sewage Disposal Fund	Total Business-type Activities
<i>Cash and cash equivalents</i>			
Unrestricted	\$ 167,292,572	\$ 188,063,375	\$ 355,355,947
<i>Operating Expense</i>			
Operating Expense	120,841,204	170,401,050	291,242,254
Less: Depreciation	(71,295,545)	(86,021,029)	(157,316,574)
<i>Net Operating Expense</i>	<u>\$ 49,545,659</u>	<u>\$ 84,380,021</u>	<u>\$ 133,925,680</u>
Operating Expense Per Day (181 days)	\$ 273,733	\$ 466,188	\$ 739,921
<i>Days Cash</i>			
No. of Days Cash	611	403	480

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STATISTICAL SECTION

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GREAT LAKES WATER AUTHORITY

Statistical Section Table of Contents

The objective of the statistical section is to provide financial statement users with additional historical perspective, context and detail to assist in using the information in the financial statements, notes to financial statements and required supplementary information to understand and assess the Authority's economic condition.

The statistical section information is presented in the following categories:

		<u>Page</u>
Financial Trends Schedules 1 and 2	Financial trends information is intended to show how the Authority's financial position has changed over time.	84
Revenue Capacity Schedule 3	Revenue capacity information is intended to show the factors affecting a Authority's ability to generate its own-source revenue.	86
Debt Capacity Information Schedules 4 through 7	Debt capacity information is intended to show a Authority's debt burden and its ability to issue additional debt.	89
Demographic and Economic Schedules 8 through 11	Demographic and economic information is intended to show the socioeconomic environment within which the Authority operates.	99
Operating Information Schedule 12 through 14	Operating information is intended to show contextual information about operations and resources to provide understanding and assessing the Authority's economic condition.	104

Net Position by Component
(accrual basis of accounting)

	2016*
Business-type activities	
Investment in capital assets	\$ 851,734,519
Restricted for debt service	178,540,029
Restricted for capital acquisition	164,326,618
Restricted for payment assistance program	977,278
Unrestricted (deficit)	<u>(1,210,262,324)</u>
Total business-type activities net position	<u>\$ (14,683,880)</u>

*GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Source: Great Lakes Water Authority Financial Services Area

Changes in Net Position

(accrual basis of accounting)

	2016*
Operating revenues	
Wholesale customer charges	\$ 281,883,522
Industrial waste charges	6,910,192
Pollutant surcharges	2,423,910
Local system charges	102,660,400
Other revenues	4,252,477
	<hr/>
Total operating revenues	398,130,501
	<hr/>
Operating expenses	
Personnel	21,590,763
Contractual services	17,179,869
Utilities	25,037,499
Chemicals	6,451,484
Centralized services	35,228,282
Administrative services	10,534,428
Supplies and other expenses	17,903,355
Depreciation	157,316,574
	<hr/>
Total operating expenses	291,242,254
	<hr/>
Operating income	106,888,247
	<hr/>
Nonoperating revenues (expenses)	
Earnings on investments	1,481,398
Interest income	21,062,500
Interest expense, net of capitalized interest	(148,447,442)
Amortization of debt related items	2,055,724
Gain on disposal of capital assets	275,693
	<hr/>
Total nonoperating expenses	(123,572,127)
	<hr/>
Loss before contributions	(16,683,880)
	<hr/>
Capital contributions from debt forgiveness	2,000,000
	<hr/>
Change in net position	(14,683,880)
	<hr/>
Net position, beginning of year	-
	<hr/>
Net position, end of year	\$ (14,683,880)
	<hr/> <hr/>

*GLWA began operations on January 1, 2016. The data for FY 2016 relates to six months of activity through June 30, 2016. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Source: Great Lakes Water Authority Financial Services Area

GREAT LAKES WATER AUTHORITY

Operating Revenues and Charge Increases Last Ten Years

	2007 [1]	2008 [1]	2009 [1]	2010 [1]
Water fund				
Operating Revenues				
Detroit Local System	\$ 57,934,749	\$ 74,442,186	\$ 65,360,449	\$ 65,580,546
Wholesale Customers	208,028,964	216,867,005	206,282,285	210,662,057
Other revenues	2,322,380	1,674,029	2,452,729	9,227,823
Total Operating Revenues	\$ 268,286,093	\$ 292,983,220	\$ 274,095,463	\$ 285,470,426
Detroit Retail Rate Increase	0.5%	6.8%	6.3%	5.2%
Wholesale Charge Increases	5.9%	5.1%	8.9%	6.4%
Number of Wholesale Customers [2]	86	86	86	85
Sewage disposal fund				
Operating Revenues				
Detroit Local System	\$ 150,400,544	\$ 135,966,630	\$ 162,813,091	\$ 167,986,001
Wholesale Customers	189,853,211	201,722,312	219,638,029	187,874,924
Sewage Surcharges	581,756	1,435,519	2,957,031	3,730,043
Other	6,071,103	7,784,370	4,718,247	5,946,422
Total Operating Revenues	\$ 346,906,614	\$ 346,908,831	\$ 390,126,398	\$ 365,537,390
Detroit Retail Rate Increase	7.8%	7.6%	10.1%	15.8%
Wholesale Charge Increases	5.0%	0.0%	2.5%	8.2%
Number of Wholesale Customers [2]	24	24	24	24

[1] Amounts presented are from operations under the City of Detroit Water and Sewerage Department (DWSD). GLWA assumed operations on January 1, 2016. DWSD information is being included for comparative purposes.

[2] Does not include the City of Detroit.

[3] Amounts presented include 6 months of operations under DWSD and 6 months of operations under GLWA.

[4] Detroit Local System revenues reflect only the wholesale portion once GLWA assumed operations. Operations under DWSD would include higher revenues to cover the expenditures related to operating the local system. When GLWA assumed operations on January 1, 2016, DWSD continued to operate the local system under a Services Agreement with GLWA.

Source: FY 2007 - 2016 Audited Financial Statements City of Detroit Water Fund and Sewage Disposal Fund -Statement of Revenues, Expenses and Changes in Fund Net Position

Source: Charge Increases p.90 of the 2015D Water Official Statement and 2015C Sewer Official Statement

Source: Great Lakes Water Authority Financial Services Area

2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [3]
\$ 74,810,362	\$ 71,540,060	\$ 75,653,761	\$ 72,420,199	\$ 93,221,433	\$ 59,145,143 [4]
237,099,865	258,587,439	275,185,243	272,458,933	264,930,716	319,682,064
4,091,974	6,002,446	4,688,757	4,490,230	6,125,905	6,597,597
<u>\$ 316,002,201</u>	<u>\$ 336,129,945</u>	<u>\$ 355,527,761</u>	<u>\$ 349,369,362</u>	<u>\$ 364,278,054</u>	<u>\$ 385,424,804</u>
9.3%	9.0%	10.3%	4.4%	13.8%	5.3%
5.5%	9.1%	7.9%	3.9%	3.9%	11.3%
85	85	86	87	87	85
\$ 188,929,588	\$ 186,551,894	\$ 193,098,413	\$ 207,522,787	\$ 237,164,889	\$ 239,976,793 [4]
213,888,870	242,759,761	238,301,009	257,264,293	257,677,591	260,342,766
3,424,043	2,601,809	5,204,732	5,830,344	5,608,521	4,262,636
4,476,574	5,741,427	4,259,106	5,153,420	5,220,613	8,298,340
<u>\$ 410,719,075</u>	<u>\$ 437,654,891</u>	<u>\$ 440,863,260</u>	<u>\$ 475,770,844</u>	<u>\$ 505,671,614</u>	<u>\$ 512,880,535</u>
8.4%	11.0%	9.9%	4.2%	9.1%	8.6%
3.7%	11.0%	6.7%	3.7%	2.8%	-1.1%
22	22	22	22	21	21

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GREAT LAKES WATER AUTHORITY

Schedule 4

UNAUDITED

Debt by Lien

As of June 30, 2016

	Original Principal Amount	Outstanding as of June 30, 2016
Water Supply System Revenue Bonds		
Senior Lien Bonds		
Water Supply System Revenue Senior Lien Bonds, Series 2003A	\$ 234,805,000	\$ 100,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2003D	151,370,000	116,880,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2004B	153,830,000	20,830,000
Water Supply System Revenue Senior Lien Bonds, Series 2005B	194,900,000	152,340,000
Water Supply System Revenue Senior Lien Bonds, Series 2006A	280,000,000	121,055,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2006D	146,590,000	59,830,000
Water Supply System Revenue Senior Lien Bonds, Series 2011A	379,590,000	300,010,000
Water Supply System Revenue Senior Lien Bonds, Series 2011B	17,195,000	5,170,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2011C	103,890,000	75,145,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014A	206,540,000	200,215,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014B	188,455,000	188,455,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014C	62,700,000	62,700,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014D	307,645,000	243,185,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2014E	9,270,000	9,270,000
Water Supply System Revenue Refunding Senior Lien Bonds, Series 2015A	89,430,000	89,430,000
	<u>2,526,210,000</u>	<u>1,644,615,000</u>
Second Lien Bonds		
Water Supply System Revenue Refunding Second Lien Bonds, Series 2001C	190,405,000	179,770,000
Water Supply System Revenue Second Lien Bonds, Series 2003B	172,945,000	100,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2004A	72,765,000	35,045,000
Water Supply System Revenue Second Lien Bonds, Series 2006B	120,000,000	85,650,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2006C	220,645,000	201,905,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2014F	65,425,000	65,425,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2014G	14,815,000	10,930,000
Water Supply System Revenue Refunding Second Lien Bonds, Series 2015B	37,235,000	37,235,000
	<u>894,235,000</u>	<u>616,060,000</u>
SRF Junior Lien Bonds		
Water Supply System Revenue Bonds, Series 2005-SRF-1	13,805,164	8,045,164
Water Supply System Revenue Bonds, Series 2005-SRF-2	8,891,730	5,051,730
Water Supply System Revenue Bonds, Series 2006-SRF	5,180,926	2,995,926
Water Supply System Revenue Bonds, Series 2008-SRF	2,590,941	1,290,941
	<u>30,468,761</u>	<u>17,383,761</u>
Total Water Supply System Revenue Bonds	<u>\$ 3,450,913,761</u>	<u>\$ 2,278,058,761</u>

GREAT LAKES WATER AUTHORITY

Schedule 4

UNAUDITED

Debt by Lien

As of June 30, 2016

	Original Principal Amount	Outstanding as of June 30, 2016
Sewage Disposal System Revenue Bonds		
Senior Lien Bonds		
Sewage Disposal System Revenue Bonds (Senior), Series 1997-B-SRF	\$ 5,430,174	\$ 965,000
Sewage Disposal System Revenue Refunding Bonds, Series 1998A	67,615,000	21,000,000
Sewage Disposal System Revenue Refunding Bonds, Series 1998B	67,520,000	22,795,000
Sewage Disposal System Revenue Bonds (Senior), Series 1999-SRF1	21,475,000	5,180,000
Sewage Disposal System Revenue Bonds (Senior), Series 1999-SRF2	46,000,000	18,765,000
Sewage Disposal System Revenue Bonds (Senior), Series 1999-SRF3	31,030,000	9,265,000
Sewage Disposal System Revenue Bonds (Senior), Series 1999-SRF4	40,655,000	12,140,000
Sewage Disposal System Revenue Bonds, Series 1999A (1)	33,510,118	24,165,000
Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2001C1	154,870,000	42,365,000
Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2001C2	122,905,000	107,920,000
Sewage Disposal System Senior Lien Revenue & Revenue Refunding Bonds, Series 2003A	599,380,000	3,150,000
Sewage Disposal System Senior Lien Revenue Bonds, Series 2003B	150,000,000	25,650,000
Sewage Disposal System Senior Lien Revenue Refunding Bonds, Series 2004A	101,435,000	35,010,000
Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2006C	26,560,000	11,215,000
Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2006D	370,000,000	239,475,000
Sewage Disposal System Revenue & Revenue Refunding Senior Lien Bonds, Series 2012A	659,780,000	547,360,000
Sewage Disposal System Revenue Senior Lien Bonds, Series 2014A	123,220,000	123,220,000
Sewage Disposal System Revenue Senior Lien Bonds, Series 2014B	27,470,000	27,470,000
Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014C	446,170,000	446,170,000
Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014D	95,165,000	95,165,000
Sewage Disposal System Revenue Refunding Senior Lien Bonds, Series 2014E	143,880,000	88,900,000
	<u>3,334,070,292</u>	<u>1,907,345,000</u>
Second Lien Bonds		
Sewage Disposal System Second Lien Revenue Bonds, Series 2001B	110,550,000	78,895,000
Sewage Disposal System Second Lien Revenue Bonds, Series 2001E	136,150,000	134,745,000
Sewage Disposal System Revenue Second Lien Bonds, Series 2005A	273,355,000	31,885,000
Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005B	40,215,000	17,115,000
Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2005C	63,160,000	100,000
Sewage Disposal System Revenue Second Lien Bonds, Series 2006A	123,655,000	123,185,000
Sewage Disposal System Revenue Second Lien Bonds, Series 2006B	250,000,000	230,695,000
Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014F	76,715,000	76,715,000
Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2014G	23,240,000	11,805,000
Sewage Disposal System Revenue Refunding Second Lien Bonds, Series 2015C	197,660,000	197,660,000
	<u>1,294,700,000</u>	<u>902,800,000</u>
SRF Junior Lien Bonds		
Sewage Disposal System Revenue Bonds, Series 2000-SRF1	44,197,995	15,947,995
Sewage Disposal System Revenue Bonds, Series 2000-SRF2	64,401,066	26,156,066
Sewage Disposal System Revenue Bonds, Series 2001-SRF1	82,200,000	42,090,000
Sewage Disposal System Revenue Bonds, Series 2001-SRF2	59,850,000	30,650,000
Sewage Disposal System Revenue Bonds, Series 2002-SRF1	18,985,000	7,735,000
Sewage Disposal System Revenue Bonds, Series 2002-SRF2	1,545,369	630,369
Sewage Disposal System Revenue Bonds, Series 2002-SRF3	31,549,466	14,899,466
Sewage Disposal System Revenue Bonds, Series 2003-SRF1	48,520,000	27,275,000

continued...

Debt by Lien

As of June 30, 2016

	Original Principal Amount	Outstanding as of June 30, 2016
Sewage Disposal System Revenue Bonds (concluded)		
Sewage Disposal System Revenue Bonds, Series 2003-SRF2	\$ 25,055,370	\$ 12,740,370
Sewage Disposal System Revenue Bonds, Series 2004-SRF1	2,910,000	1,460,000
Sewage Disposal System Revenue Bonds, Series 2004-SRF2	18,353,459	9,193,459
Sewage Disposal System Revenue Bonds, Series 2004-SRF3	12,722,575	6,357,575
Sewage Disposal System Revenue Bonds, Series 2007-SRF	167,540,598	122,835,598
Sewage Disposal System Revenue Bonds, Series 2009-SRF	13,970,062	10,160,062
Sewage Disposal System Revenue Bonds, Series 2010-SRF	4,214,763	3,300,763
Sewage Disposal System Revenue Bonds, Series 2012-SRF	14,950,000	13,835,170
Sewage Disposal System Revenue Bonds, Series 2015A-SRF	79,500,000	79,500,000
Sewage Disposal System Revenue Bonds, Series 2015B-SRF	33,030,000	20,883,315
Sewage Disposal System Revenue Bonds, Series 2015D-SRF	21,485,000	14,470,534
	<u>744,980,723</u>	<u>460,120,742</u>
Total Sewerage Disposal System Revenue Bonds	<u>\$ 5,373,751,015</u>	<u>\$ 3,270,265,742</u>

concluded.

(1) Amount shown is the maturity value of Capital Appreciation Bonds.

Source: Great Lakes Water Authority Financial Services Area

GREAT LAKES WATER AUTHORITY

Schedule of Debt Service Requirements

As of June 30, 2016

Fiscal Year Ending	Senior Lien Bonds (in \$1,000s)			Second Lien Bonds (in \$1,000s)		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
Water fund						
2017	\$ 10,475	\$ 63,114	\$ 73,589	\$ 8,295	\$ 29,919	\$ 38,214
2018	50,730	81,336	132,066	9,495	32,307	41,802
2019	51,320	78,795	130,115	10,530	31,803	42,333
2020	47,200	76,422	123,622	19,495	31,003	50,498
2021	49,345	74,098	123,443	20,560	29,900	50,460
2022	52,280	71,546	123,826	21,725	28,739	50,464
2023	55,025	68,850	123,875	22,935	27,508	50,443
2024	57,480	66,019	123,499	24,230	26,207	50,437
2025	59,600	63,059	122,659	25,585	24,858	50,443
2026	61,560	59,988	121,548	27,000	23,455	50,455
2027	63,115	56,840	119,955	28,480	21,956	50,436
2028	67,790	53,548	121,338	30,165	20,354	50,519
2029	71,410	50,049	121,459	31,915	18,748	50,663
2030	74,730	46,390	121,120	32,940	17,183	50,123
2031	77,745	42,587	120,332	34,025	15,551	49,576
2032	81,525	38,639	120,164	35,720	13,806	49,526
2033	85,560	34,508	120,068	37,500	11,974	49,474
2034	90,115	30,139	120,254	39,365	10,052	49,417
2035	93,150	25,569	118,719	38,620	8,101	46,721
2036	121,355	20,057	141,412	70	7,133	7,203
2037	13,250	16,536	29,786	117,410	3,565	120,975
2038	52,685	14,810	67,495	-	-	-
2039	59,770	11,856	71,626	-	-	-
2040	62,890	8,657	71,547	-	-	-
2041	66,175	5,290	71,465	-	-	-
2042	68,335	1,782	70,117	-	-	-
Total	1,644,615	1,160,484	2,805,099	616,060	434,122	1,050,182

Schedule 5
UNAUDITED



Junior Lien Bonds (in \$1,000s)			Total
Principal	Interest	Total Debt Service	Total Debt Service
\$ 1,400	\$ 359	\$ 1,759	\$ 113,562
1,435	329	1,764	175,632
1,460	298	1,758	174,206
1,490	266	1,756	175,876
1,525	234	1,759	175,662
1,555	200	1,755	176,045
1,595	167	1,762	176,080
1,625	132	1,757	175,693
1,660	97	1,757	174,859
1,690	61	1,751	173,754
1,718	24	1,742	172,133
115	4	119	171,976
116	1	117	172,239
-	-	-	171,243
-	-	-	169,908
-	-	-	169,690
-	-	-	169,542
-	-	-	169,671
-	-	-	165,440
-	-	-	148,615
-	-	-	150,761
-	-	-	67,495
-	-	-	71,626
-	-	-	71,547
-	-	-	71,465
-	-	-	70,117
<u>17,384</u>	<u>2,172</u>	<u>19,556</u>	<u>3,874,837</u>

GREAT LAKES WATER AUTHORITY

Schedule of Debt Service Requirements

As of June 30, 2016

Fiscal Year Ending	Senior Lien Bonds (in \$1,000s)			Second Lien Bonds (in \$1,000s)		
	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service
Sewage disposal fund						
2017	\$ 12,605	\$ 65,402	\$ 78,007	\$ 1,030	\$ 39,852	\$ 40,882
2018	47,665	83,566	131,231	6,480	46,819	53,299
2019	49,830	81,308	131,138	6,760	46,493	53,253
2020	52,210	78,889	131,099	6,975	46,152	53,127
2021	54,690	76,411	131,101	9,250	45,751	55,001
2022	47,580	74,110	121,690	18,725	45,031	63,756
2023	62,555	71,475	134,030	12,945	44,202	57,147
2024	74,955	67,990	142,945	4,550	43,750	48,300
2025	75,215	64,102	139,317	19,545	43,120	62,665
2026	73,500	60,149	133,649	21,230	42,045	63,275
2027	92,515	56,334	148,849	24,715	40,830	65,545
2028	96,660	52,642	149,302	29,670	39,393	69,063
2029	100,895	48,686	149,581	30,300	37,815	68,115
2030	105,475	44,498	149,973	23,580	36,390	59,970
2031	82,180	41,364	123,544	64,700	33,911	98,611
2032	96,860	38,901	135,761	67,585	30,135	97,720
2033	118,565	34,807	153,372	24,375	27,597	51,972
2034	123,935	28,756	152,691	25,330	26,355	51,685
2035	1,480	25,350	26,830	160,215	21,771	181,986
2036	1,450	25,274	26,724	168,165	13,596	181,761
2037	1,410	25,198	26,608	176,675	4,687	181,362
2038	107,095	22,370	129,465	-	-	-
2039	112,675	16,641	129,316	-	-	-
2040	118,550	10,614	129,164	-	-	-
2041	27,275	6,842	34,117	-	-	-
2042	28,635	5,444	34,079	-	-	-
2043	30,065	3,977	34,042	-	-	-
2044	31,570	2,436	34,006	-	-	-
2045	32,935	823	33,758	-	-	-
Total	1,861,030	1,214,359	3,075,389	902,800	755,695	1,658,495

Source: Great Lakes Water Authority Financial Services Area

Schedule 5
UNAUDITED



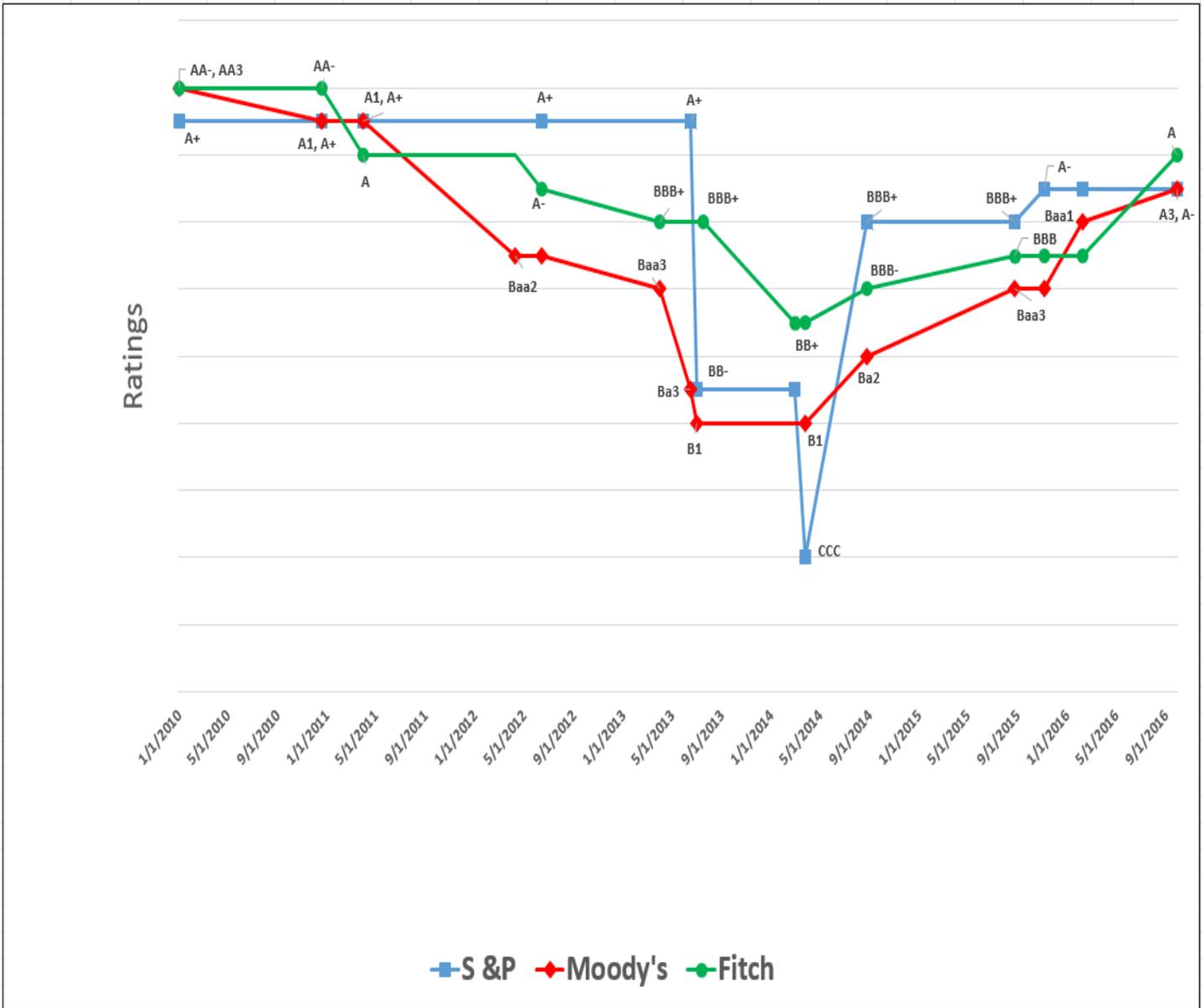
Junior Lien Bonds (in \$1,000s)			Total
Principal	Interest	Total Debt Service	Total Debt Service
\$ 43,385	\$ 11,154	\$ 54,539	\$ 173,428
44,340	10,110	54,450	238,980
45,415	9,069	54,484	238,875
46,210	8,006	54,216	238,442
46,000	6,919	52,919	239,021
42,690	5,894	48,584	234,030
43,634	4,900	48,534	239,711
33,535	4,006	37,541	228,786
34,286	3,246	37,532	239,514
20,360	2,608	22,968	219,892
17,675	2,214	19,889	234,283
18,020	1,851	19,871	238,236
18,390	1,481	19,871	237,567
18,314	1,108	19,422	229,365
6,591	831	7,422	229,577
6,191	669	6,860	240,341
5,510	524	6,034	211,378
5,650	386	6,036	210,412
5,265	251	5,516	214,332
4,975	124	5,099	213,584
-	-	-	207,970
-	-	-	129,465
-	-	-	129,316
-	-	-	129,164
-	-	-	34,117
-	-	-	34,079
-	-	-	34,042
-	-	-	34,006
-	-	-	33,758
<u>506,436</u>	<u>75,351</u>	<u>581,787</u>	<u>5,315,671</u>

Current Debt Ratings
As of June 30, 2016

Debt Type	Rating Agency		
	Standard & Poor's	Moody's	Fitch
Water Supply System Revenue			
Senior Lien	A-	Baa1	BBB
Second Lien	BBB+	Baa2	BBB-
Junior Lien	N/A	N/A	N/A
Sewage Disposal System Revenue			
Senior Lien	A-	Baa1	BBB
Second Lien	BBB+	Baa2	BBB-
Junior Lien	N/A	N/A	N/A

Source: Great Lakes Water Authority Financial Services Area

Water and Sewer Senior Lien - Debt Ratings History
2010 to Present



Source: Great Lakes Water Authority Financial Services Area

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Service Area Demographics
 Last Ten Years

Year	Total Population (2)	Unemployment (3)	Per Capita Income (3)	Total Debt Service (4)	Debt Per Capita	Debt Service as a Percentage of Income	
Water fund							
2016	*	3,800,000	5.2%	Not Available	\$ 178,673,500	\$ 47.02	Not Available
2015	*	3,800,000	6.2%	46,894	178,923,900	47.09	0.10%
2014	*	3,800,000	8.5%	44,718	182,464,900	48.02	0.11%
2013	*	3,800,000	9.4%	42,555	172,458,800	45.38	0.11%
2012	*	3,800,000	10.3%	42,168	153,524,200	40.40	0.10%
2011	*	3,800,000	11.6%	40,607	164,435,900	43.27	0.11%
2010	*	3,800,000	13.5%	37,837	157,590,500	41.47	0.11%
2009	*	3,976,100	14.9%	36,874	156,775,100	39.43	0.11%
2008	*	3,976,100	8.7%	38,998	135,156,500	33.99	0.09%
2007	*	3,976,100	7.5%	38,598	115,449,700	29.04	0.08%
Sewage disposal fund							
2016	*	2,807,000	5.2%	Not Available	\$ 235,250,700	\$ 83.81	Not Available
2015	*	2,807,000	6.2%	46,894	232,612,800	82.87	0.18%
2014	*	2,807,000	8.5%	44,718	229,611,100	81.80	0.18%
2013	*	2,807,000	9.4%	42,555	225,222,900	80.24	0.19%
2012	*	2,807,000	10.3%	42,168	203,092,300	72.35	0.17%
2011	*	2,807,000	11.6%	40,607	209,063,900	74.48	0.18%
2010	*	2,807,000	13.5%	37,837	200,985,100	71.60	0.19%
2009	*	2,998,200	14.9%	36,874	195,544,837	65.22	0.18%
2008	*	2,998,200	8.7%	38,998	175,248,600	58.45	0.15%
2007	*	2,998,200	7.5%	38,598	156,615,637	52.24	0.14%

(1) The Detroit Metropolitan Statistical Area (MSA) is comprised of six counties: Wayne, Oakland, Macomb, Livingston, Lapeer and St. Clair. This represents the majority of the service area customers.

(2) Source: The Authority, estimated.

(3) Source: U.S. Department of Commerce, Bureau of Census

(4) Debt service is based on set aside debt service requirements for the fiscal year which includes the subsequent year July 1st debt payment.

*GLWA assumed operations on January 1, 2016. The information in this table from 2007-2015 is based on operations under the City of Detroit Water and Sewerage Department (DWSD). Data for 2016 includes six months of operation under DWSD and six months of operation under GLWA.

Source: Great Lakes Water Authority Financial Services Area

GREAT LAKES WATER AUTHORITY

Ten Largest Wholesale Water Customers / Total Billed Revenue Last Ten Years

	2007 [1]	2008 [1]	2009 [1]	2010 [1]
Operating Revenues				
Flint/Genesee County (a)	\$ 16,075,816	\$ 16,297,870	\$ 17,421,571	\$ 17,421,663
Southeast Oakland County Water Authority	10,469,683	10,165,018	9,285,621	9,285,621
Troy	9,156,027	8,606,895	7,445,795	7,550,028
Sterling Heights	8,993,479	9,424,067	8,578,659	8,696,601
Farmington Hills	7,767,606	7,611,583	7,547,579	7,547,585
Warren	7,510,193	7,775,671	-	-
Livonia	6,840,847	7,530,863	7,033,848	7,033,853
YCUA	6,288,197	-	-	-
Dearborn	5,409,324	-	-	-
Clinton Township	4,233,932	-	-	-
Shelby Township	-	7,537,377	7,403,055	7,403,056
Novi	-	-	6,913,500	6,782,362
Macomb Township	-	-	-	-
North Oakland County Water Authority	-	-	-	-
Rochester Hills	-	8,823,580	8,644,531	8,553,457
West Bloomfield Township	-	-	-	-
Canton Township	-	7,803,358	6,876,444	7,142,729
Total	\$ 82,745,104	\$ 91,576,282	\$ 87,150,603	\$ 87,416,955
% of Total Operating Revenues	30.84%	31.26%	31.80%	30.62%

[1] GLWA assumed operations on January 1, 2016. The information in this table from 2007-2015 is based on operations under the City of Detroit Water and Sewerage Department (DWSD). Data for 2016 includes six months of operation under DWSD and 6 months of operation under GLWA.

Source: Great Lakes Water Authority Financial Services Area

	2011 [1]	2012 [1]	2013 [1]	2014 [1]	2015 [1]	2016 [1]
\$	17,103,752	\$ 20,919,987	\$ 23,308,800	\$ 23,871,366	\$ 15,804,309	\$ 17,231,935
	10,293,814	12,111,306	19,541,038	19,467,746	19,779,978	22,846,983
	7,295,491	-	9,311,146	9,715,613	9,761,438	12,365,922
	8,113,053	9,882,899	12,089,582	12,015,093	12,650,819	14,678,915
	7,775,635	8,503,722	10,575,173	9,769,372	9,797,153	-
	7,532,208	9,121,108	9,945,794	9,060,112	9,297,285	-
	7,804,684	8,806,767	10,338,724	9,728,576	10,325,750	12,809,124
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	8,175,322	9,966,936	10,824,461	10,770,614	11,035,002	12,689,582
	7,063,698	8,340,815	-	-	-	11,869,865
	-	-	-	-	-	10,103,536
	-	-	-	-	-	22,585,698
	9,047,860	10,324,388	9,529,341	9,600,373	9,432,554	-
	-	7,973,620	9,655,154	-	-	-
	-	-	-	9,400,322	9,692,530	12,319,875
<u>\$</u>	<u>90,205,517</u>	<u>\$ 105,951,548</u>	<u>\$ 125,119,213</u>	<u>\$ 123,399,187</u>	<u>\$ 117,576,818</u>	<u>\$ 149,501,435</u>
	<u>28.55%</u>	<u>31.52%</u>	<u>35.19%</u>	<u>35.32%</u>	<u>32.28%</u>	<u>37.55%</u>

GREAT LAKES WATER AUTHORITY

Schedule 10

UNAUDITED

FY 2015-16 Wholesale Water Schedule of Charges*
and Total Revenue Requirement for the Detroit Retail Class

Community Name	Fixed Monthly \$/mo	Commodity \$/Mcf	Community Name	Fixed Monthly \$/mo	Commodity \$/Mcf
Allen Park	106,500	\$ 6.22	Melvindale	30,600	5.33
Almont, Village of	10,600	7.75	New Haven, Village of	16,000	\$ 9.16
Ash Township	34,000	6.98	NOCWA	1,129,400	9.58
Belleville	14,700	6.94	Northville, City	34,400	8.60
Berlin Township	33,000	9.11	Northville Township	297,500	17.90
Brownstown Township	153,100	8.75	Novi	560,600	16.99
Bruce Township	2,200	20.82	Oak Park	62,500	4.59
Canton Township	594,300	14.90	Oakland County Dr. Comm.	3,200	2.52
Centerline	22,000	5.03	Plymouth, City	47,100	8.77
Chesterfield Township	180,800	8.76	Plymouth Township	194,300	9.42
Clinton Township	356,100	7.12	Redford Township	156,600	7.08
Commerce Township	227,800	19.60	River Rouge	32,600	4.42
Dearborn	451,200	5.55	Riverview	50,100	8.52
Dearborn Heights	174,400	6.52	Rockwood	13,700	9.95
East Pointe	73,800	5.37	Romeo	12,100	13.87
Ecorse	66,000	3.52	Romulus	169,500	6.85
Farmington, City	45,200	7.38	Roseville	123,200	4.65
Farmington Hills	409,600	8.76	Royal Oak Township	10,300	6.85
Ferndale	44,400	5.47	Shelby Township	621,800	12.56
Flat Rock	54,200	7.35	SOCWA	1,139,500	6.97
Flint	662,100	8.93	South Rockwood	4,700	7.56
Fraser	59,800	7.14	Southgate	99,300	6.46
Garden City	76,000	6.61	St. Clair County-Burtchville Township	13,400	13.43
Genesee County DC	900,000	11.86	St. Clair County-Greenwood	varies	5.58
Gibraltar	21,400	10.09	St. Clair Shores	142,100	5.24
Greater Lapeer C.U.A.	131,500	10.11	Sterling Heights	725,000	9.45
Grosse Ile Township	58,400	10.87	Sumpter Township	29,800	7.94
Grosse Pointe Park	64,700	8.49	Sylvan Lake	10,900	12.47
Grosse Pointe Shores	27,800	13.10	Taylor	222,200	6.17
Grosse Pointe Woods	66,500	6.65	Trenton	97,600	8.30
Hamtramck	32,500	4.27	Troy	602,700	10.76
Harper Woods	40,000	5.42	Utica	27,000	9.39
Harrison Township	65,800	5.42	Van Buren Township	133,300	8.02
Hazel Park	32,100	5.13	Walled Lake	42,500	10.63
Highland Park	58,400	4.25	Warren	517,600	5.71
Huron Township	64,600	8.61	Washington Township	139,700	17.46
Inkster	84,100	6.73	Wayne	126,000	9.79
Keego Harbor	14,300	10.38	West Bloomfield Township	465,400	13.69
Lenox Township	13,800	5.82	Westland	277,000	7.01
Lincoln Park	107,500	5.97	Wixom	110,200	13.16
Livonia	620,800	10.35	Woodhaven	93,300	12.03
Macomb Township	484,000	12.78	Ypsilanti Community Utilities Authority	499,400	7.93
Madison Heights	94,400	5.10			

Annual Detroit Revenue Requirement - effective July 1, 2015 is \$94,641,200

*Wholesale charges were effective July 9, 2015

Source: Great Lakes Water Authority Financial Services Area

**Schedule of Wholesale Sewer Monthly Charges*
and Total Revenue Requirement for the Detroit Retail Class**

	FY 2015-16 Budget	5-Year Lookback Adjustment	Total
Billing Meter Customers			
OMID	\$ 5,501,800	\$ 255,100	\$ 5,756,900
Rouge Valley	4,408,500	(91,600)	4,316,900
Oakland GWK	3,627,600	(59,200)	3,568,400
Evergreen Farmington	2,556,900	(41,200)	2,515,700
NE Wayne Co.	1,915,000	1,900	1,916,900
Allen Park	53,300	1,500	54,800
Center Line	73,700	200	73,900
Dearborn East & West	1,363,600	(22,100)	1,341,500
Farmington	88,200	(500)	87,700
Grosse Pointe Park	129,300	(4,900)	124,400
Melvindale	109,800	(200)	109,600
Grosse Pointe Farms	211,800	(4,500)	207,300
System Metered Customers			
Dearborn E. (Storm Only)	\$ 81,000	\$ (8,100)	\$ 72,900
Dearborn N.E.	112,100	4,800	116,900
Grosse Pointe	74,700	(4,000)	70,700
Hamtramck	323,800	4,000	327,800
Harper Woods	19,200	1,900	21,100
Highland Park	462,400	5,700	468,100
Redford Township	9,900	(200)	9,700
Wayne County #3	3,700	1,100	4,800
Wayne County #6	11,000	-	11,000
Allocated Detroit Revenue Requirement-effective July 1, 2015	\$ 234,643,600	\$ 20,000,000	\$ 254,643,600

*Wholesale charges were effective July 9, 2015

Source: Great Lakes Water Authority Financial Services Area

Produced and Billed Water Volumes

Last Ten Years

Fiscal Year	Total Water Produced (Mcf)	Water Billed (Mcf)	Non-Revenue Water (Mcf)	Non-Revenue % of Production
2007 *	28,063,000	18,417,900	9,645,100	34.4%
2008 *	29,360,700	18,405,500	10,955,200	37.3%
2009 *	27,180,700	16,682,100	10,498,600	38.6%
2010 *	25,142,700	15,676,300	9,466,400	37.7%
2011 *	26,513,000	16,094,700	10,418,300	39.3%
2012 *	27,219,500	16,280,300	10,939,200	40.2%
2013 *	26,832,800	15,687,900	11,144,900	41.5%
2014 *	26,088,800	14,778,500	11,310,300	43.4%
2015 *	23,238,000	13,547,000	9,691,000	41.7%
2016 *	23,580,700	14,730,400	8,850,300	37.5%

*GLWA assumed operations on January 1, 2016. The information in this table from 2007-2015 is based on operations under the City of Detroit Water and Sewerage Department (DWSD). Data from 2016 includes six months of operation under DWSD and 6 months of operation under GLWA.

Source: Great Lakes Water Authority Financial Services Area

Treated and Billed Wastewater Volumes

Last Ten Years

Fiscal Year	Total Wastewater Treated (Mg)	Wholesale Wastewater Billed (Mg)	Detroit Wastewater Billed (Mg)	Total Wastewater Billed (Mg)
2007 *	240,400	117,500	32,400	149,900
2008 *	244,200	114,200	27,800	142,000
2009 *	260,800	123,200	29,600	152,800
2010 *	221,400	100,600	27,100	127,700
2011 *	253,500	112,700	28,000	140,700
2012 *	255,500	112,600	24,900	137,500
2013 *	220,600	99,400	23,100	122,500
2014 *	233,200	107,200	22,100	129,300
2015 *	222,700	103,700	20,100	123,800
2016 *	209,200	96,800	20,600	117,400

*GLWA assumed operations on January 1, 2016. The information in this table from 2007-2015 is based on operations under the City of Detroit Water and Sewerage Department (DWSD). Data from 2016 includes six months of operation under DWSD and 6 months of operation under GLWA.

Source: Great Lakes Water Authority Financial Services Area

Pledges of Revenue and Debt Service Coverage
As of June 30, 2016

The Authority has pledged specific revenue streams to secure the repayment of the revenue bonds and State of Michigan revolving fund loans. The bonds and loans are paid solely from the net revenues of the Water System and Sewer System including the Retail Revenues from the Retail Customers who are serviced under the Water and Sewer Services Agreement with the City of Detroit. The pledged revenues for the fiscal year ending June 30, 2016 were reported by two entities due to the lease agreement between the City of Detroit and Great Lakes Water Authority which became effective on January 1, 2016. The first six months of the fiscal year from July 1, 2015 to December 31, 2015 was reported under the City of Detroit Water and Sewerage Department financial statements. The six month period ending June 30, 2016 is reported in this audit report for Great Lakes Water Authority. Each entity had its own Master Bond Ordinance under which the revenues of the system are pledged for payment of the bonded debt. In computing the pledged revenue for the fiscal year 2016, the pledged revenue for the period July 1, 2015 through December 31, 2015 was based on the audited financial statements for the City of Detroit Water and Sewerage Department and computed based on the definition of pledged revenue in the Master Bond Ordinance in effect for that time period. This was combined with the pledged revenue calculation for the six month period ending June 30, 2016 based on the Master Bond Ordinance for Great Lakes Water Authority. A summary of the pledged revenue and the applicable debt as of June 30, 2016 is as follows:

	Water Fund	Sewage Disposal Fund
Type of Debt	Revenue Bonds and State of Michigan Revolving Fund Loans	Revenue Bonds and State of Michigan Revolving Fund Loans
Type of revenue pledged	All Water Fund revenues except for those transferred to the Operation and Maintenance Fund	All Sewer Fund revenues except for those transferred to the Operation and Maintenance Fund
General purpose for debt	Funding for various water treatment and transmission capital improvements, refund certain water revenue bonds, pay termination amounts for interest rate swap agreements, and funding reserve requirements	Funding for various waste water treatment and collection capital improvements, refund certain sewage disposal revenue bonds, pay termination amounts for interest rate swap agreements, and funding reserve requirements
Term of pledged commitment	Thru 2042	Thru 2045
Remaining principal and interest requirement	\$3,874,837,102	\$5,315,671,115
Principal and interest funding requirement for the year ending June 30, 2016:		
Senior Lien Bonds	\$128,177,999	\$140,191,016
Second Lien Bonds	<u>41,178,843</u>	<u>48,944,924</u>
Total Senior and Second Lien Bonds	169,356,842	189,135,940
Junior Lien Bonds	<u>1,781,683</u>	<u>39,434,631</u>
Total All Bonds	<u>\$171,138,525</u>	<u>\$ 228,570,571</u>
Pledged revenue for the year ending June 30, 2016	\$ 270,117,396	\$ 326,048,837
Pledged revenue collected as a percentage of funding requirement	157.8%	142.6%
Rate Covenant Debt Service Coverage (1)		
Senior Lien Bonds	2.11	2.33
Senior and Second Lien Bonds	1.59	1.72
All Bonds, Including SRF Junior Lien	1.58	1.43
Approximate amount in restricted cash and investments related to various bond indentures at June 30, 2016	\$ 122,000,000	\$ 317,000,000

(1) Computed consistent with Rate Covenant basis for rate determination purposes. Not applicable for purposes of additional bonds test calculations.

Source: Great Lakes Water Authority Financial Services Area



GLWA

Great Lakes Water Authority

Financial Services

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