

# **Grand Haven-Spring Lake Sewer Authority**

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**Financial Statements  
and Additional Information**  
Years Ended June 30, 2008 and 2007

# Grand Haven-Spring Lake Sewer Authority

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November 1, 2008

Honorable Mayor and City Council  
Grand Haven-Spring Lake Sewer Authority Board

It is with great pleasure that we present the Grand Haven/Spring Lake Sewer Authority Annual Financial Report for the fiscal year ended June 30, 2008.

As the City of Grand Haven, by contract, is the fiscal agent for the Sewer Authority, this report has been prepared by the financial services staff of the City of Grand Haven with the assistance of the Wastewater Treatment Plant Superintendent. City Administration holds full responsibility for the completeness and accuracy of all statements, schedules, notes and analysis herein. To provide a reasonable basis for making these representations, City Administration has maintained a system of internal controls to protect Sewer Authority assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statements in conformity with generally accepted accounting principles. The cost of internal controls should not exceed the benefit received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

### **The Reporting Entity**

The Sewer Authority was established in 1970 by agreement between the City of Grand Haven and the Village of Spring Lake to provide regional wastewater treatment. The City of Ferrysburg and the Township of Spring Lake joined the Authority in 1982 and the Charter Township of Grand Haven joined in 1986. In 1972, the current wastewater treatment plant was built and over the years has been upgraded and modified to its current capacity. The Authority serves a population over 20,000 and presently operates at an average capacity of 50%. Note that in past years, average operations were significantly higher, but, with significant efforts on the part of the local governmental members, infiltration of groundwater into the system has been significantly reduced, allowing greater available treatment capacity. The current lower levels of river and Lake Michigan water also serves to reduce groundwater infiltration.

The City of Grand Haven also provides contractual management and financial administration to the following organizations:

- Northwest Ottawa Water Treatment Plant, a joint venture of Northwest Ottawa County local units of government, and
- Ottawa County Central Dispatch Authority, a component unit of Ottawa County

The financial reports of these entities as well as the City of Grand Haven are reported elsewhere and are not included here.

## **Budgeting and Financial Planning**

As part of the City's financial planning process, the Sewer Authority Board adopts an annual budget including a five year Capital Improvement Plan. These two documents address the Authority's strategy to improve the operations and maintain the wastewater plant. The budget document is included within the City of Grand Haven annual budget to provide comprehensive public presentation and provides the financial framework for planning and control, as well as defining the Authority's role for the future. The Capital Improvement Plan provides the Board and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement the Board's vision.

The budget process normally begins in late fall with a goal-setting session. The Wastewater Superintendent, Grand Haven's City Manager and Finance Director draft the budget on a line item basis, considering capital and operational priorities separately and combining both into a preliminary budget document. The Sewer Authority Board adopts the Authority's budget.

After the close of the fiscal year, the Financial Statements are prepared to report on the financial condition of the Authority and the fiscal results of its operations. Included in the report are comparisons of actual revenues and expenditures for the audited year and the prior year.

## **Economic Condition and Outlook**

The current state economic conditions continue to present employment challenges for displaced employees and the local economy as a whole. Economic forecasts indicate a continuation of challenging conditions for 2008 and beyond in Michigan, some estimates indicating at least a four year cycle until improvements occur. Keys to these forecasts are reductions in auto and furniture industry jobs and capital plans and a continuing retrenching in Michigan's manufacturing economy. Losses of Eagle Ottawa Leather operations in November, 2007 and the closing of the Magna Donnelly division plant point to continuing economic stress locally.

The Sewer Authority notes a continuing slight decline in services provided to the local municipalities, especially evident in the continuing reduction of wastewater infiltration into local unit sewer collection lines. This is compounded by the lower water table and by reduced Lake Michigan water levels presently being experienced. Significantly, Eagle Ottawa Leather operations have ceased as has their contribution to the system. Further, Magna Donnelly ceased Grand Haven operations as well, but their sewer use was fairly limited. However, there is a continuing population increase in the surrounding townships and potential for economic and industrial growth, which leaves the current plant well within its capacity for future service expansion without a major near-term major capital initiative.

## **Fiscal Year 2007-08 Initiatives**

- Treated 1.025 billion gallons of wastewater.
- Replaced thickener mixer.
- Repaired damaged concrete in Spring Lake pump station wet well.
- Replaced aeration tank #1 o-rings.
- Touched up coatings on final clarifiers.
- Replaced check valves in the Local pump station.
- Replaced 1991 Ford Ranger.
- Replaced lights and poles in front parking lot.
- Rebuilt west primary pump.

## Reporting Model Format

The objective of the Financial Statements of the Grand Haven-Spring Lake Sewer Authority under GASB Statement 34 is to highlight the accountability of the Sewer Authority by providing useful information to a wide range of users. A few of the more significant reporting requirements include:

- This transmittal letter and the "Management Discussion and Analysis" (MD&A). These documents provide an in-depth review and discussion of the Sewer Authority's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many of the key financial topics are covered by the MD&A which can be found immediately after the auditor's opinion letter.
- Consistent with the appropriate accounting basis for enterprise funds, Sewer Authority statements are presented on a full accrual basis of accounting. The full accrual method addresses overall operating results and the financial position of the Sewer Authority as an economic entity, as is done in the private sector.
- The Sewer Authority has only one operating fund, a proprietary fund.

The Sewer Authority report is significantly less complex than other municipal reports due to the single fund included in the report and the proprietary fund format.

## Independent Audit

State statute and the various local unit charters require an annual financial audit by an independent certified public accountant. In May 2003, City Council selected the accounting firm of BDO Seidman, Certified Public Accountants, who provided auditing services for the first years of the engagement. In the summer of 2004, BDO Seidman sold its Muskegon office to former BDO partners. Pridnia LaPres, PLLC provides the same auditing staff originally provided by BDO Seidman and at the same cost. The City Council of the City of Grand Haven has indicated that the City will seek proposals for auditing services for the next fiscal year under a policy of periodic proposal seeking to assure low cost, high quality auditing.

## Acknowledgments

The work of preparing the financial report has required the help and assistance of many people. The staff of the City of Grand Haven Finance and City Treasurer Departments in particular spent many hours working on this project. Katrina Robinson, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work. Likewise, appreciation is offered to Wastewater Superintendent, John Stuparits for his assistance.

Sincerely,

Patrick McGinnis  
City Manager  
616 847-4888  
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James P. Bonamy  
Finance Director  
616 935-3214  
jbonamy@grandhaven.org

## Independent Auditors' Report

To the Board of Trustees  
Grand Haven-Spring Lake Sewer Authority  
Grand Haven, Michigan

We have audited the financial statements of the Grand Haven-Spring Lake Sewer Authority as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Grand Haven-Spring Lake Sewer Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Haven-Spring Lake Sewer Authority as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

*Pridnia Lapres, PLLC*

October 27, 2008

**Grand Haven-Spring Lake Sewer Authority**  
**Management Discussion and Analysis**  
**June 30, 2008**

1) Financial Highlights

- a) The Grand Haven/Spring Lake Sewer Authority (the "Authority"), is a separate and distinct governmental authority and operates a wastewater treatment facility and certain collection lines for the Northwest Ottawa communities of the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, Grand Haven Charter Township and Spring Lake Township and ended the fiscal year in good financial position. Overall debt was lower due to annual bond payments.
- b) Business-type activities net assets decreased from \$6,797,544 to \$6,749,604.
- c) Total operating expenses for business-type activities totaled \$1,691,686, up from \$1,611,671, in the prior year.

2) Overview of Financial Statements

a) Overall financial picture

The financial statements provide the Authority's financial position using the full accrual method of accounting. This method of accounting is similar to private sector for-profit accounting.

i) Statements of Net Assets

The *Statements of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, which is called net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statements of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statements of Activities

The *Statements of Revenue, Expenses, and Changes in Net Assets* suggests the underlying causes of the change in net assets. All changes in net assets are reported as the change occurs and include depreciation on the assets. This statement does not report any capital projects. Capital projects are reported on the *Statements of Net Assets*.

b) Notes to the Financial Statements

Immediately after the financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health of the Authority.

3) Financial Analysis

a) Net Assets

The *Statements of Net Assets* provides an overview of the Authority's assets, liabilities and net assets. As mentioned above, over time, this can provide a good indicator of the Authority's fiscal health. A comparative analysis has been presented.

On the next page is a summarized version of the *Statements of Net Assets*:

**Grand Haven-Spring Lake Sewer Authority  
Management Discussion and Analysis  
June 30, 2008**

**Net Assets**

<u>June 30,</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$ 551,680	\$ 550,587
Capital assets	6,537,307	6,665,555
<b>Total assets</b>	<b>\$7,088,987</b>	<b>\$7,216,142</b>
Long-term debt	\$ 90,000	\$ 170,000
Other liabilities	249,383	248,598
<b>Total liabilities</b>	<b>\$ 339,383</b>	<b>\$ 418,598</b>
Net assets		
Invested in capital assets, net of related debt	\$4,277,069	\$4,442,756
Reserved	2,088,963	1,971,007
Unreserved	383,572	383,781
<b>Total net assets</b>	<b>\$6,749,604</b>	<b>\$6,797,544</b>

The total net assets of the Authority are \$6,749,604; however, \$4,277,069 represents net investment in capital assets including infrastructure. Of the more liquid assets, \$2,088,963 is restricted. The Authority has \$383,572 in unreserved net assets. Total net assets decreased by \$47,940 during the fiscal year.

b) Changes in Net Assets

Significant changes in net assets are shown in the table on the next page.

**Grand Haven-Spring Lake Sewer Authority  
Management Discussion and Analysis  
June 30, 2008**

**Changes in Net Assets**

<b>Years ended June 30,</b>	<b>2008</b>	<b>2007</b>
<b>Revenue</b>		
Program revenues		
Sewage disposal services	\$1,491,713	\$1,437,669
Other	4,342	7,854
<b>Total Operating Revenue</b>	<b>\$1,496,055</b>	<b>\$1,445,523</b>
<b>Expenses</b>		
Plant operations and charges	\$1,002,611	\$918,275
Administrative	352,139	350,651
Depreciation	336,936	342,745
<b>Total Operating Expenses</b>	<b>\$1,691,686</b>	<b>\$1,611,671</b>
<b>Operating Loss</b>	<b>(\$195,631)</b>	<b>(\$166,148)</b>
<b>Non-Operating Revenue (Expense)</b>		
Debt service charge	\$ 55,626	\$ 65,680
Contributions from customers	-	10,000
Interest income	97,086	102,747
Interest expense	(9,363)	(12,830)
Other non-operating expenses	4,342	-
<b>Total Non-Operating Revenue</b>	<b>\$ 147,691</b>	<b>\$ 165,597</b>
<b>Change In Net Assets</b>	<b>(\$ 47,940)</b>	<b>(\$ 551)</b>
<b>Net Assets, beginning of year</b>	<b>\$ 6,797,544</b>	<b>\$ 6,798,095</b>
<b>Net Assets, end of year</b>	<b>\$ 6,749,604</b>	<b>\$ 6,797,544</b>

4) Financial Analysis

The Authority had a net loss of \$47,940, a decline from a net loss of \$551 in the prior year. The decrease consists of a \$50,532 increase in operating revenue, an \$80,015 increase in operating expenses and a \$17,906 decrease in non-operating revenue. Overall fund expenditures were within budget.

**Grand Haven-Spring Lake Sewer Authority**  
**Management Discussion and Analysis**  
**June 30, 2008**

5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The Authority has \$4,448,344 invested in capital assets net of depreciation. Capital assets include all purchases of assets that exceed \$1,000 and have an expected useful life of greater than one year. Capital assets include: land, land improvements, buildings, equipment, and utility systems such as sewer lines. The Authority uses straight line depreciation for all depreciable assets. In FY2008, capital assets decreased by \$246,204, primarily depreciation.

b) More detailed information about changes in capital assets can be found in Note 3 of the footnotes.

6) Debt

The Authority had \$170,000 in debt outstanding as of June 30, 2008.

In Note 5 of the footnotes more detailed information on debt and other obligations can be found.

7) Economic Forecast

The Authority has one main source of revenue, wastewater treatment utility charges. Utility sales, while affected by the economy, experience large swings of revenue from changes in weather conditions. During wet spells, wastewater treatment sales increase due to groundwater infiltration into the collection system. The participating units continue to reduce infiltration as capital project funds allow, but these costs are not the responsibility of the Authority. The ongoing effort on the part of the local units, however, allows the treatment plant to operate at an average 50% of capacity.

For the FY2008-09 budget, Administration anticipates that sales will be roughly equal to FY2007-08 volumes.

8) Contacting the Authority's Financial Management Staff

The City of Grand Haven, by contract, is the fiscal administrator of the Authority. This financial report is designed to provide individuals interested in the Authority's financial position, such as citizens, taxpayers, customers, and investors and creditors, with a general overview of the Authority's finances and to show the Authority's accountability for the revenue it receives. If you have questions about this report or need additional financial information, please contact us at 519 Washington Avenue, Grand Haven, MI 49417, or call or e-mail us as noted below:

Patrick McGinnis  
City Manager  
616 847-4888  
[pmcginnis@grandhaven.org](mailto:pmcginnis@grandhaven.org)

James P. Bonamy  
Finance Director  
616 935-3214  
[jbony@grandhaven.org](mailto:jbony@grandhaven.org)

<i>June 30,</i>	<b>2008</b>	2007
<b>Assets</b>		
<b>Current Assets</b>		
Cash and investments (Note 2)	\$ 339,796	\$ 250,592
Due from other governmental units	205,610	295,341
Inventories	6,274	4,654
<b>Total Current Assets</b>	<b>551,680</b>	550,587
<b>Long-Term Assets</b>		
Capital assets (Note 3)	4,448,344	4,694,548
Restricted assets (Note 4)	2,088,963	1,971,007
<b>Total Long-Term Assets</b>	<b>6,537,307</b>	6,665,555
<b>Total Assets</b>	<b>\$ 7,088,987</b>	\$ 7,216,142

# Grand Haven-Spring Lake Sewer Authority

## Statements of Net Assets

<i>June 30,</i>	<b>2008</b>	2007
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt (Note 5)	\$ 80,000	\$ 80,000
Due to other governmental units	11,103	25,802
Accounts payable	43,031	32,099
Accrued and other liabilities	115,249	110,697
Total Current Liabilities	249,383	248,598
<b>Long-Term Debt</b> – less current maturities (Note 5)	<b>90,000</b>	170,000
Total Liabilities	339,383	418,598
<b>Net Assets</b>		
Invested in capital assets, net of related debt	4,277,069	4,442,756
Reserved for restricted assets (Note 4)	2,088,963	1,971,007
Unreserved	383,572	383,781
Total Net Assets	6,749,604	6,797,544
<b>Total Liabilities and Net Assets</b>	<b>\$ 7,088,987</b>	\$ 7,216,142

*See accompanying notes to financial statements.*

# Grand Haven-Spring Lake Sewer Authority

## Statements of Revenue, Expenses, and Changes in Net Assets

<i>Years ended June 30,</i>	<b>2008</b>	2007
<b>Operating Revenue</b>		
Sewage disposal charges	\$ 1,491,713	\$ 1,437,669
Other	4,342	7,854
<b>Total Operating Revenue</b>	<b>1,496,055</b>	1,445,523
<b>Operating Expenses</b>		
Plant operations and charges	1,002,611	918,275
Administrative	352,139	350,651
Depreciation	336,936	342,745
<b>Total Operating Expenses</b>	<b>1,691,686</b>	1,611,671
<b>Operating Loss</b>	<b>(195,631)</b>	(166,148)
<b>Non-Operating Revenue (Expense)</b>		
Debt service charge	55,626	65,680
Contributions from customer	-	10,000
Interest income	97,086	102,747
Interest expense	(9,363)	(12,830)
Non-operating grants – state	4,342	-
<b>Total Non-Operating Revenue</b>	<b>147,691</b>	165,597
<b>Decrease in Net Assets</b>	<b>(47,940)</b>	(551)
<b>Net Assets – Beginning of year</b>	<b>6,797,544</b>	6,798,095
<b>Net Assets – End of year</b>	<b>\$ 6,749,604</b>	\$ 6,797,544

*See accompanying notes to financial statements.*

# Grand Haven-Spring Lake Sewer Authority

## Statements of Cash Flows

<i>Years ended June 30,</i>	<b>2008</b>	<b>2007</b>
<b>Cash Flows from Operating Activities</b>		
Operating loss	\$ (195,631)	\$ (166,148)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	<b>336,936</b>	342,745
Changes in assets and liabilities:		
Due from other governmental units	<b>90,913</b>	(147,985)
Inventories	<b>(1,620)</b>	2,254
Due to other governmental units	<b>(14,699)</b>	25,774
Accounts payable	<b>10,932</b>	(39,693)
Accrued and other liabilities	<b>5,069</b>	(2,550)
<b>Net Cash Provided by Operating Activities</b>	<b>231,900</b>	14,397
<b>Cash Flows from Non-Capital and Related Financing Activities</b>		
Contributions from constituent municipalities	-	10,000
Proceeds from non-operating grants	<b>4,342</b>	-
<b>Net Cash Provided by Non-Capital and Related Financing Activities</b>	<b>4,342</b>	10,000
<b>Cash Flows from Capital and Related Financing Activities</b>		
Purchase of capital assets	<b>(90,732)</b>	(52,738)
Principal and interest paid on long-term debt	<b>(89,880)</b>	(87,830)
Proceeds from debt service charge	<b>55,626</b>	65,680
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(124,986)</b>	(74,888)
<b>Cash Flows from Investing Activities</b>		
Interest received on investments	<b>97,086</b>	102,747
<b>Net Increase in Cash and Investments</b>	<b>208,342</b>	52,256
<b>Cash and Investments, Beginning of year</b>	<b>2,210,576</b>	2,158,320
<b>Cash and Investments, End of year</b>	<b>\$ 2,418,918</b>	\$ 2,210,576

*See accompanying notes to financial statements.*

# Grand Haven-Spring Lake Sewer Authority

## Statements of Cash Flows

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<i>June 30,</i>	<b>2008</b>	<b>2007</b>
<b>Statements of Net Assets</b>		
<b>Classification of Cash and Investments</b>		
Cash and investments	\$ 339,796	\$ 250,592
Restricted assets (Note 4)	2,079,122	1,959,984
<b>Total</b>	<b>\$ 2,418,918</b>	<b>\$ 2,210,576</b>

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*See accompanying notes to financial statements.*

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

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### 1. **Summary of Significant Accounting Policies**

The Grand Haven-Spring Lake Sewer Authority (the “Authority”) is incorporated under the terms of Act 233, Public Acts of Michigan of 1955 for the purpose of constructing, owning, and operating a sewage disposal system for its constituent municipalities: the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, the Township of Spring Lake and the Township of Grand Haven. The accrual basis of accounting is used in preparing the financial statements.

Under a contract executed in 1974 and subsequently amended, the City of Grand Haven (the “City”) is operating and maintaining the plant. Monthly operating expenses are billed by the City to the constituent municipalities for their proportionate shares of those expenses. Sewage disposal revenue also includes charges of \$90,732 and \$52,738 for costs that have been capitalized at June 30, 2008 and 2007, respectively.

#### **Cash Equivalents**

Cash equivalents consist of highly liquid investments, including certificates of deposit, with an original maturity of three months or less.

#### **Inventories**

Inventories are valued at cost, on a first-in, first-out basis, which approximates market value.

#### **Capital Assets**

Capital assets are recorded at cost. Depreciation is computed on a straight-line method based on the estimated useful lives of the related assets. Costs of maintenance and repairs are charged to expense when incurred.

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

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Wastewater plant, wastewater mains and equipment are depreciated using the straight-line method over the following useful lives:

Wastewater treatment plant and pumping stations	10-40
Wastewater mains	40
Office, laboratory, and transportation equipment	5-40

### 2. Cash and Investments

#### Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

#### Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a deposit policy for custodial credit risk. At June 30, 2008, \$974,727 of the Authority's bank balances of \$1,074,727 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	<u>\$974,727</u>
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# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

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### Investments

At June 30, 2008, the Authority had the following investments:

Investment	Maturity Date	Fair Value
Certificates of Deposit		
Huntington National Bank	11/14/2008	\$ 200,000
Flagstar Bank	12/10/2008	105,337
Huntington National Bank	12/10/2008	203,665
Grand Haven Bank	3/17/2009	112,482
Huntington National Bank	3/17/2009	200,000
Huntington National Bank	3/17/2010	110,874
Huntington National Bank	3/17/2010	111,733
Huntington National Bank	3/17/2010	200,000
Huntington National Bank	3/16/2011	100,000
		<hr/>
		\$ 1,344,091

### Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty or bank, the Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority was not exposed to custodial credit risk related to investments.

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

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### Credit Risk

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by a state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments.

The authority had no investment policy that would further limit its investment choices.

### Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer.

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

**3. Capital Assets**      Capital assets consist of the following:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
<hr/>				
Capital assets not depreciated				
Land	\$ 575,210	\$ -	\$ -	\$ 575,210
Capital assets being depreciated				
Wastewater treatment plant	9,006,542	15,131	-	9,021,673
Wastewater pumping stations	1,169,301	48,302	-	1,217,603
Wastewater mains	560,724	27,299	-	588,023
Office, laboratory and transportation equipment	199,670	-	-	199,670
	<hr/>	<hr/>	<hr/>	<hr/>
	10,936,237	90,732	-	11,026,969
Accumulated depreciation				
Wastewater treatment plant	5,507,977	253,979	-	5,761,956
Wastewater pumping stations	768,690	54,355	-	823,045
Wastewater mains	458,446	14,018	-	472,464
Office, laboratory and transportation equipment	81,786	14,584	-	96,370
	<hr/>	<hr/>	<hr/>	<hr/>
	6,816,899	336,936	-	7,153,835
Net Capital Assets Being Depreciated	4,119,338	(246,204)	-	3,873,134
<hr/>				
<b>Net Capital Assets</b>	<b>\$ 4,694,548</b>	<b>\$ (246,204)</b>	<b>\$ -</b>	<b>\$ 4,448,344</b>

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

**4. Restricted Assets**      Restricted assets consist of the following:

<i>June 30,</i>	<b>2008</b>	2007
Cash and investments	\$ <b>2,079,122</b>	\$ 1,959,984
Due from other governmental units	<b>9,841</b>	11,023
<b>Total Restricted Assets</b>	<b>\$ 2,088,963</b>	\$ 1,971,007

These assets are restricted for the following purposes:

<i>June 30,</i>	<b>2008</b>	2007
Debt service	\$ <b>111,303</b>	\$ 141,099
Capital improvements	<b>901,597</b>	804,106
Eagle Ottawa Operating Agreement	<b>1,076,063</b>	1,025,802
<b>Total</b>	<b>\$ 2,088,963</b>	\$ 1,971,007

**5. Long-Term Debt**      **Outstanding Debt**

Long-term debt consists of the following:

<i>June 30,</i>	<b>2008</b>	2007
Contract payable to Ottawa County for 4.55% to 4.6% sewage treatment plant improvement bonds – 1998 Series A	\$ <b>170,000</b>	\$ 250,000
Less current maturities	<b>(80,000)</b>	(80,000)
	<b>\$ 90,000</b>	\$ 170,000

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

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### Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the years ended June 30, 2008 and 2007:

*Years ended June 30, 2008 and 2007*

Long-term debt – July 1, 2006	\$ 325,000
Debt retired	(75,000)
Long-term debt – June 30, 2007	250,000
Debt retired	(80,000)
Long-term debt – June 30, 2008	\$ 170,000

### Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2008, including both principal and interest, are as follows:

<i>Year ended June 30,</i>	Principal	Interest
2009	\$ 80,000	\$ 5,960
2010	90,000	2,070
Total	\$ 170,000	\$ 8,030

### Debt Charges

The Authority receives a debt charge from participating communities for the 1998 contract payable to Ottawa County based on volume of sewage treated for those communities. The Authority and the applicable participating communities have pledged their full faith and credit on the contracts payable to Ottawa County.

# Grand Haven-Spring Lake Sewer Authority

## Notes to Financial Statements

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### **6. Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority participates in the Michigan Municipal League risk pool for workers' compensation and general liability insurance. The Authority has purchased commercial insurance for medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

## **Additional Information**



To the Board of Trustees  
Grand Haven-Spring Lake Sewer Authority  
Grand Haven, Michigan

We have audited the financial statements of the Grand Haven-Spring Lake Sewer Authority for the years ended June 30, 2008 and 2007. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Grand Haven-Spring Lake Sewer Authority. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Pridnia Latnes, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

October 27, 2008

# Grand Haven-Spring Lake Sewer Authority

## Plant Operations and Charges

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<i>Years ended June 30,</i>	<b>2008</b>	2007
Sludge removal	<b>\$ 236,339</b>	\$ 205,064
Wastewater treatment	<b>185,308</b>	176,398
Laboratory	<b>192,489</b>	173,889
Secondary treatment	<b>107,225</b>	112,582
Building and grounds	<b>53,845</b>	36,972
Pumping station		
Grand Haven	<b>43,222</b>	41,201
Spring Lake	<b>59,560</b>	51,721
Local	<b>14,013</b>	22,773
Wastewater primaries	<b>9,005</b>	13,142
Phosphate removal	<b>55,541</b>	52,410
Chlorination	<b>20,625</b>	8,707
Dechlorination	<b>15,208</b>	12,172
Grit and screening	<b>6,960</b>	5,607
Wastewater thickeners	<b>2,299</b>	5,311
Sludge storage	<b>972</b>	326
	<b>\$ 1,002,611</b>	\$ 918,275

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# Grand Haven-Spring Lake Sewer Authority

## Analysis of Amount Available for Debt Retirement

<i>Years ended June 30,</i>	<b>2008</b>	2007
<b>Change in Net Assets</b>	<b>\$ (47,940)</b>	<b>\$ (551)</b>
<b>Add</b>		
Depreciation	336,936	342,745
Interest and paying agent fees expensed	9,363	12,830
<b>Deduct</b>		
Payments from Eagle Ottawa for separation agreement from constituent municipalities and other contractual obligations	-	(10,000)
Amount Available for Bond and Interest Redemption	<b>298,359</b>	345,024
<b>Requirements</b>		
Principal	80,000	80,000
Interest and paying agent fees (cash basis)	5,960	9,580
Funds Used for Bond and Interest	<b>85,960</b>	89,580
<b>Amount in Excess of Requirements</b>	<b>\$ 212,399</b>	<b>\$ 255,444</b>