

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008**

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November 1, 2009

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, 2009.

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 maintains 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 to provide potable water treatment supply, 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

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 2009 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. There is a slowing population increase in the surrounding townships and potential for economic and industrial growth. The current plant is well within its capacity for future service expansion without a major near-term major capital initiative.

Fiscal Year 2008-09 Initiatives

- Treated 1.249 billion gallons of wastewater.
- Installed wet well bypass at Grand Haven pump station.
- Replaced breaker panel and motor control center in blower room.
- Replaced aeration tank #2 o-rings
- Replaced lamps in lab with high efficiency units.
- Replaced west iron pump.
- Rebuilt pump #1 at Spring Lake pump station.
- Rebuilt return pumps #2 & #3.

Future Initiatives:

- Rebuild pump #1 in Local pump station.
- Rebuild screening conveyor.
- Replace aeration tank #3 o-rings.
- Replace Northwest primary clarifier drive unit.
- Rebuild east storage tank pump.
- Replace aeration tank dewatering pump.
- Replace grit building motor control center.
- Replace retrieval hoist for lift stations.
- Replace Local pump station control panel.

- Replace heating and cooling controls.
- Submit updated Risk Management Plan.

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's 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 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 statutes and the City Charter require an annual financial audit by an independent certified public accounting firm. In March 2009, City Council selected the accounting firm of Rehmann Robson, Certified Public Accountants to provide auditing services for this and the next four CAFR reports. The former auditing firm, Pridnia LaPres, PLLC, was merged with Rehmann Robson during the fiscal year. The same Audit Partner and auditing staff continue on the City's audit this year, under Rehmann Robson, providing efficient auditing in a cost effective manner.

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
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INDEPENDENT AUDITORS' REPORT

November 9, 2009

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

We have audited the accompanying financial statements of the *Grand Haven-Spring Lake Sewer Authority* as of and for the year ended June 30, 2009, 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 audit. The June 30, 2008 financial statements of the *Grand Haven-Spring Lake Sewer Authority* were audited by Pridnia LaPres, PLLC, who merged with Rehmann Robson as of January 1, 2009 and whose report dated October 27, 2008, expressed an unqualified opinion on those financial statements.

We conducted our audit of the June 30, 2009 financial statements 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 audit of the June 30, 2009 financial statements provides 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, 2009, 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.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements but is supplementary information required by the *Governmental Accounting Standards Board*. 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.

Our audit was conducted for the purpose of forming an opinion on the June 30, 2009 financial statements that collectively comprise the *Grand Haven-Spring Lake Sewer Authority's* basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the *Grand Haven-Spring Lake Sewer Authority's* basic financial statements. The June 30, 2009 supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the June 30, 2009 basic financial statements taken as a whole. The June 30, 2008 supplementary schedules were audited by Pridnia LaPres, PLLC, who merged with Rehmann Robson as of January 1, 2009 and whose report dated October 27, 2008, stated that the supplementary information was fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

The letter of transmittal has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.



**Grand Haven-Spring Lake Sewer Authority
Management's Discussion and Analysis
June 30, 2009 and 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 increased from \$6,749,604 to \$6,798,274.
- c) Total operating expenses for business-type activities totaled \$1,763,492, up from \$1,691,686 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* provide 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* are similar to a balance sheet in private sector accounting.

ii) Statements of Revenues, Expenses and Changes in Net Assets

The *Statements of Revenues, Expenses and Changes in Net Assets* suggest 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's Discussion and Analysis
June 30, 2009 and 2008**

Net Assets

June 30,	2009	2008
Current and other assets	\$2,753,546	\$2,640,643
Capital assets, net	4,322,998	4,448,344
Total assets	7,076,544	7,088,987
Long-term debt outstanding	90,000	170,000
Other liabilities	188,270	169,383
Total liabilities	278,270	339,383
Net assets		
Invested in capital assets, net of related debt	4,232,315	4,277,069
Restricted	2,146,153	2,088,963
Unrestricted	419,806	383,572
Total net assets	\$6,798,274	\$6,749,604

The total net assets of the Authority are \$6,798,274; however, \$4,232,315 represents net investment in capital assets including infrastructure. Of the more liquid assets, \$2,146,153 is restricted. The Authority has \$419,806 in unreserved net assets. Total net assets increased by \$48,670 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's Discussion and Analysis
June 30, 2009 and 2008**

Years ended June 30,	2009	2008
Revenue		
Program revenues		
Sewage disposal services	\$1,695,955	\$1,491,713
Other	2,190	4,342
Total Operating Revenue	1,698,145	1,496,055
Expenses		
Plant operations and charges	1,065,257	1,002,611
Administrative	355,740	352,139
Depreciation	342,495	336,936
Total Operating Expenses	1,763,492	1,691,686
Operating Loss	(65,347)	(195,631)
Non-Operating Revenue (Expense)		
Debt service charge	58,610	55,626
Interest income	60,375	97,086
Interest expense	(5,768)	(9,363)
Non-operating grants - state	800	4,342
Total Non-Operating Revenue	114,017	147,691
Change In Net Assets	48,670	(47,940)
Net Assets, beginning of year	6,749,604	6,797,544
Net Assets, end of year	\$ 6,798,274	\$ 6,749,604

4) Financial Analysis

The Authority had a net gain of \$48,670, an increase from last year's net loss of \$47,940. The increase consists of a \$202,090 increase in operating revenue, a \$71,806 increase in operating expenses and a \$33,674 decrease in non-operating revenue. Overall fund expenditures were within budget.

**Grand Haven-Spring Lake Sewer Authority
Management's Discussion and Analysis
June 30, 2009 and 2008**

5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The Authority has \$4,322,998 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 FY 2009, capital assets decreased by \$125,346, primarily due to depreciation.

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

6) Debt

The Authority had \$90,000 in current debt outstanding as of June 30, 2009.

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 are affected by the economy and 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 FY 2009-10 Budget, Administration anticipates that sales will be roughly equal to FY 2008-09 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:

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James P. Bonamy
Finance Director
616 935-3214
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**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

STATEMENTS OF NET ASSETS

	June 30	
	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents	\$ 294,314	\$ 339,796
Due from other governmental units	302,571	205,610
Inventories	10,415	6,274
Prepaid items	93	-
	607,393	551,680
Noncurrent assets		
Capital assets not being depreciated	575,210	575,210
Capital assets being depreciated, net	3,747,788	3,873,134
Restricted assets:		
Cash and cash equivalents	2,135,931	2,079,122
Due from other governmental units	10,222	9,841
	6,469,151	6,537,307
Total noncurrent assets		
	6,469,151	6,537,307
Total assets	\$ 7,076,544	\$ 7,088,987

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

	June 30	
	2009	2008
LIABILITIES AND NET ASSETS		
Current liabilities		
Due to other governmental units	\$ 11,648	\$ 11,103
Accounts payable	55,896	43,031
Accrued and other liabilities	120,726	115,249
Current portion of long-term debt	90,000	80,000
Total current liabilities	278,270	249,383
Noncurrent liabilities		
Long-term debt, net of current portion	-	90,000
Total liabilities	278,270	339,383
Net assets		
Invested in capital assets, net of related debt	4,232,315	4,277,069
Restricted	2,146,153	2,088,963
Unrestricted	419,806	383,572
Total net assets	6,798,274	6,749,604
Total liabilities and net assets	\$ 7,076,544	\$ 7,088,987

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

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

	Year ended June 30	
	2009	2008
Operating revenues		
Sewage disposal charges	\$ 1,695,955	\$ 1,491,713
Other	2,190	4,342
Total operating revenues	1,698,145	1,496,055
Operating expenses		
Plant operations and charges	1,065,257	1,002,611
Administrative	355,740	352,139
Depreciation	342,495	336,936
Total operating expenses	1,763,492	1,691,686
Operating loss	(65,347)	(195,631)
Non-operating revenue (expense)		
Debt service charge	58,610	55,626
Interest income	60,375	97,086
Interest expense	(5,768)	(9,363)
Non-operating grants – state	800	4,342
Total non-operating revenue	114,017	147,691
Change in net assets	48,670	(47,940)
Net assets, beginning of year	6,749,604	6,797,544
Net assets, end of year	\$ 6,798,274	\$ 6,749,604

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

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2009	2008
Cash flows from operating activities		
Receipts from customers and users	\$ 1,600,803	\$ 1,586,968
Payments to suppliers	(765,345)	(766,740)
Payments to employees	(640,406)	(588,328)
Net cash provided by operating activities	195,052	231,900
Cash flows from noncapital financing activities		
Proceeds from non-operating grants	800	4,342
Cash flows from capital and related financing activities		
Purchase of capital assets	(217,149)	(90,732)
Principal paid on long-term debt	(80,000)	(80,000)
Interest paid on long-term debt	(6,361)	(9,880)
Proceeds from debt service charge	58,610	55,626
Net cash used in capital and related financing activities	(244,900)	(124,986)
Cash flows from investing activities		
Interest received on investments	60,375	97,086
Purchases of investment securities	(409,702)	(927,331)
Proceeds from sale or maturities of investment securities	921,898	1,543,224
Net cash provided by investing activities	572,571	712,979
Net increase in cash and cash equivalents	523,523	824,235
Cash and cash equivalents, beginning of year	1,074,827	250,592
Cash and cash equivalents, end of year	\$ 1,598,350	\$ 1,074,827
Statements of net assets classification of cash and cash equivalents		
Cash and cash equivalents	\$ 294,314	\$ 339,796
Restricted assets	1,304,036	735,031
Total cash and cash equivalents	\$ 1,598,350	\$ 1,074,827

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

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

STATEMENTS OF CASH FLOWS

	Years ended June 30	
	2009	2008
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (65,347)	\$ (195,631)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	342,495	336,936
Changes in operating assets and liabilities which provided (used) cash:		
Due from other governmental units	(97,342)	90,913
Inventories	(4,141)	(1,620)
Prepaid items	(93)	-
Due to other governmental units	545	(14,699)
Accounts payable	9,878	10,932
Accrued and other liabilities	9,057	5,069
Net cash provided by operating activities	\$ 195,052	\$ 231,900

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

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF BUSINESS AND 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 economic resources measurement focus and the accrual basis of accounting are used in preparing the financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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 \$217,149 and \$90,732 for costs that have been capitalized at June 30, 2009 and 2008, respectively.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the *Governmental Accounting Standards Board*. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

Cash Equivalents

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

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

Investments

Investments are recorded at fair value, which approximates cost at the balance sheet date.

Inventories

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

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

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 years
Wastewater mains	40 years
Office, laboratory, and transportation equipment	5-40 years

Revenue Recognition

Revenue is recognized at the point when customers are billed for services.

Subsequent Events

In preparing these financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2009, the most recent statement of net assets presented herein, through the auditors' report date, the date these financial statements were available to be issued. No significant such events or transactions were identified.

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

2. DEPOSITS AND INVESTMENTS

The Authority's deposits and investments are included on the statement of net assets under the following classifications at June 30:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 294,314	\$ 339,796
Restricted cash and cash equivalents	<u>2,135,931</u>	<u>2,079,122</u>
Total	<u>\$ 2,430,245</u>	<u>\$ 2,418,918</u>

The composition of cash and investments is as follows at June 30:

	<u>2009</u>	<u>2008</u>
Cash on hand	\$ 100	\$ 100
Deposits in checking and savings accounts	1,188,548	1,074,727
Certificates of deposit (due within one year)	1,141,597	813,905
Certificates of deposit (due in more than one year)	<u>100,000</u>	<u>530,186</u>
Total	<u>\$ 2,430,245</u>	<u>\$ 2,418,918</u>

State statutes authorize the Authority to invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

Deposit Risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Authority's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. State law does not require and the Authority's investment policy does not have specific limits in excess of state law on custodial credit risk. At June 30, 2009, \$759,702 of the Authority's bank balance of \$2,406,139 was exposed to custodial credit risk because it was uninsured and uncollateralized. At June 30, 2008, \$2,018,818 of the Authority's bank balance of \$2,418,818 was exposed to custodial credit risk because it was uninsured and uncollateralized. Insurance coverage pertains to all deposits of the City of Grand Haven; hence, the specific coverage pertaining to the Authority's deposits, if any, is not readily determinable.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the listing above. The Authority will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Capital assets, not being depreciated				
Land	\$ 575,210	\$ -	\$ -	\$ 575,210
Capital assets, being depreciated				
Wastewater treatment plant	9,021,673	133,419	-	9,155,092
Wastewater pumping stations	1,217,603	63,443	-	1,281,046
Wastewater mains	560,724	-	-	560,724
Office, laboratory and transportation equipment	226,969	20,287	-	247,256
	11,026,969	217,149	-	11,244,118
Accumulated depreciation				
Wastewater treatment plant	5,761,956	256,195	-	6,018,151
Wastewater pumping stations	823,045	54,986	-	878,031
Wastewater mains	472,464	14,018	-	486,482
Office, laboratory and transportation equipment	96,370	17,296	-	113,666
	7,153,835	342,495	-	7,496,330
Net capital assets, being depreciated	3,873,134	(125,346)	-	3,747,788
Total capital assets, net	\$ 4,448,344	\$ (125,346)	\$ -	\$ 4,322,998

**GRAND HAVEN-SPRING LAKE
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NOTES TO FINANCIAL STATEMENTS

Capital asset activity for the year ended June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets, not being 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	-	-	560,724
Office, laboratory and transportation equipment	199,670	27,299	-	226,969
	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
	6,816,899	336,936	-	7,153,835
Net capital assets, being depreciated	4,119,338	(246,204)	-	3,873,134
Total capital assets, net	\$ 4,694,548	\$ (246,204)	\$ -	\$ 4,448,344

**GRAND HAVEN-SPRING LAKE
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NOTES TO FINANCIAL STATEMENTS

4. RESTRICTED ASSETS

Restricted assets consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 1,304,036	\$ 735,031
Investments	831,895	1,344,091
Due from other governmental units	<u>10,222</u>	<u>9,841</u>
Total	<u>\$ 2,146,153</u>	<u>\$ 2,088,963</u>

These assets are restricted for the following purposes at June 30:

	<u>2009</u>	<u>2008</u>
Debt service	\$ 83,999	\$ 111,303
Capital improvements	2,062,154	901,597
Eagle Ottawa Operating Agreement	<u>-</u>	<u>1,076,063</u>
Total	<u>\$ 2,146,153</u>	<u>\$ 2,088,963</u>

5. LONG-TERM DEBT

Outstanding Debt

Long-term debt consists of the following at June 30:

	<u>2009</u>	<u>2008</u>
Contract payable to Ottawa County for 1998 Series A Sewage Treatment Plant Improvement Bonds, interest at 4.6%	\$ 90,000	\$ 170,000
Less current portion	<u>(90,000)</u>	<u>(80,000)</u>
Long-term debt, net of current portion	<u>\$ -</u>	<u>\$ 90,000</u>

**GRAND HAVEN-SPRING LAKE
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NOTES TO FINANCIAL STATEMENTS

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the years ended June 30, 2009 and 2008:

Long-term debt – July 1, 2007		\$	250,000
Debt retired			<u>(80,000)</u>
Long-term debt – June 30, 2008			170,000
Debt retired			<u>(80,000)</u>
Long-term debt – June 30, 2009		\$	<u>90,000</u>

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2009, including both principal and interest, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 90,000	\$ 2,070

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.

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. The Authority purchases its general liability coverage through Selective 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.

SUPPLEMENTARY INFORMATION

**GRAND HAVEN-SPRING LAKE
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PLANT OPERATIONS AND CHARGES

	Years ended June 30	
	2009	2008
Sludge removal	\$ 225,865	\$ 236,339
Wastewater treatment	193,056	185,308
Laboratory	215,189	192,489
Secondary treatment	127,384	107,225
Building and grounds	62,932	53,845
Pumping station		
Grand Haven	41,049	43,222
Spring Lake	71,670	59,560
Local	20,367	14,013
Wastewater primaries	9,232	9,005
Phosphate removal	60,986	55,541
Chlorination	18,713	20,625
Dechlorination	15,695	15,208
Grit and screening	2,230	6,960
Wastewater thickeners	84	2,299
Sludge storage	805	972
Total plant operations and charges	\$ 1,065,257	\$ 1,002,611

**GRAND HAVEN-SPRING LAKE
SEWER AUTHORITY**

ANALYSIS OF AMOUNT AVAILABLE FOR DEBT RETIREMENT

	Years ended June 30	
	2009	2008
Change in net assets	\$ 48,670	\$ (47,940)
Add		
Depreciation	342,495	336,936
Interest and paying agent fees expensed	5,768	9,363
Amount available for bond and interest redemption	396,933	298,359
Requirements		
Principal	90,000	80,000
Interest and paying agent fees (cash basis)	2,070	5,960
Funds used for bond and interest	92,070	85,960
Amount in excess of requirements	\$ 304,863	\$ 212,399