

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023



Vredeveld Haefner LLC
CPAs and Consultants

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

October 17, 2023

Board of Trustees
Grand Haven – Spring Lake Sewer Authority
Grand Haven, Michigan

Opinions

We have audited the accompanying financial statements of the Grand Haven – Spring Lake Sewer Authority, (the Authority) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grand Haven – Spring Lake Sewer Authority financial statements as a whole. The schedules of plant operations and charges and debt issued and outstanding are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of plant operations and charges and debt issued and outstanding are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Ordedweld Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Grand Haven – Spring Lake Sewer Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Authority completed two capital improvement projects in FY 2022/23, which included control building roof replacement and effluent pump replacement.
- The Authority evaluates debt fund cash balances with the goal to maintain necessary cash flow to cover annual debt obligations. For FY 2022/23, billing debt rates to local units were increased with exception of the 2018 debt rate, which remained unchanged.
- Maintaining the same monthly contribution amount from local units for the plant modification fund, the Authority used this fund to pay for capital projects and purchases.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements comprise two components: 1) financial statements, and 2) notes to the financial statements.

The *Statement of Net Position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the government's net position changed during the most recent fiscal year. 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the financial statements.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$8,548,180 at the close of the most recent fiscal year.

A portion of the Authority's net position reflects unrestricted net position which is available for future operation while a more significant portion of net position is invested in capital assets (e.g., land, buildings, vehicles, equipment), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are *not* available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 4,273,526	\$ 4,929,434
Capital assets	16,564,519	17,198,163
Total assets	<u>20,838,045</u>	<u>22,127,597</u>
Current liabilities	737,866	928,824
Long-term liabilities	11,551,999	12,256,555
Total liabilities	<u>12,289,865</u>	<u>13,185,379</u>
Net position		
Net investment in capital assets	6,288,771	6,885,958
Unrestricted	2,259,409	2,056,260
Total net position	<u>\$8,548,180</u>	<u>\$ 8,942,218</u>

The total net position of the Authority at year-end was \$8,548,180; however, \$6,288,771 represents the net investment in capital assets.

Revenues, Expenses and Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating revenue	\$2,962,738	\$2,844,780
Operating expense	3,174,872	3,090,589
Operating income (loss)	(212,134)	(245,809)
Nonoperating revenue (expense)	(266,816)	(330,421)
Contribution in aid of construction	84,912	80,490
Changes in net position	(394,038)	(495,740)
Net position - beginning of year	<u>8,942,218</u>	<u>9,437,958</u>
Net position - end of year	<u>\$8,548,180</u>	<u>\$8,942,218</u>

During the year the Authority's net position decreased \$394,038 primarily as a result of higher operating costs and an increase in depreciation expense.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets at year-end amounted to \$16,564,519 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of a vehicle, control building roof replacement, and an effluent pump replacement.

The Authority's capital assets (net of depreciation) are summarized as follows:

Land	\$ 575,210
Construction in progress	30,236
Treatment plant	1,774,545
Pumping stations	10,290,482
Wastewater mains	3,700,994
Equipment	193,052
Total	<u>\$16,564,519</u>

Additional information on the Authority's capital assets can be found in Note 3 of these financial statements.

Debt. At the end of the fiscal year, the Authority had debt outstanding as follows:

<u>Long-term Debt</u>	
Contracts payable to Ottawa County	<u>\$11,615,000</u>

The Authority had no new debt and made principal payments of \$600,000 during the year.

Additional information on the Authority's long-term debt can be found in Note 4 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Authority's budget for the 2023-24 fiscal year:

- The Authority continues to review rates billed to local units for the annual operations, debt obligations, and capital purchases hoping to maintain consistent rates to local units.
- The Authority continues to evaluate and seek plant and energy efficiencies in plant upgrades and processes.
- Continual review and monitoring of current and anticipated future requirements for outflow testing is a top priority.
- To reduce biosolids land application expenses, the Authority is continuously looking at increasing the solids percentages of biosolids.

Requests for Information

The City of Grand Haven provides, by contract, fiscal and administrative services to the Authority. This financial report is designed to provide interested individuals including citizens, property owners, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions or need additional financial information, please contact us at 519 Washington Avenue, Grand Haven, MI 49417 or call or email us as noted below:

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BASIC FINANCIAL STATEMENTS

GRAND HAVEN-SPRING LAKE SEWER AUTHORITY

STATEMENT OF NET POSITION

JUNE 30, 2023

Assets

Current assets	
Cash and pooled investments	\$ 1,671,144
Set-aside cash and cash equivalents	675,979
Accounts receivable	13,500
Due from other governments	562,600
Prepaid items	3,664
Inventory	<u>7,387</u>

Total current assets	<u>2,934,274</u>
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Non-current assets

Deposits with others	1,339,252
Capital assets	
Land	575,210
Construction in progress	30,236
Depreciable capital assets, net	<u>15,959,073</u>

Total non-current assets	<u>17,903,771</u>
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Total assets	<u>20,838,045</u>
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Liabilities

Current liabilities	
Accounts payable	60,722
Due to other governments	42,144
Current portion of long-term debt	<u>635,000</u>

Total current liabilities	<u>737,866</u>
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Long-term liabilities

Premium on bonds	571,999
Long-term debt payable, net of current portion	<u>10,980,000</u>

Total long-term liabilities	<u>11,551,999</u>
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Total liabilities	<u>12,289,865</u>
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Net position

Net investment in capital assets	6,288,771
Unrestricted	<u>2,259,409</u>

Total net position	<u>\$ 8,548,180</u>
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The accompanying notes are an integral part of these financial statements.

GRAND HAVEN-SPRING LAKE SEWER AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

Operating revenue	
Sewage disposal charges	\$ 2,621,135
Debt charges	325,336
Other	<u>16,267</u>
Total operating revenue	<u>2,962,738</u>
Operating expense	
Plant operations and charges	1,922,732
Administrative	480,250
Depreciation	<u>771,890</u>
Total operating expense	<u>3,174,872</u>
Operating income (loss)	<u>(212,134)</u>
Non-operating revenue (expense)	
Interest income	68,152
Interest expense	(334,135)
Loss on disposal of capital assets	(12,883)
Other	<u>12,050</u>
Total non-operating revenue (expense)	<u>(266,816)</u>
Income (loss) before capital contributions	(478,950)
Contribution in aid of construction	<u>84,912</u>
Change in net position	(394,038)
Net position, beginning of year	<u>8,942,218</u>
Net position, end of year	<u><u>\$ 8,548,180</u></u>

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

GRAND HAVEN-SPRING LAKE SEWER AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

Cash flows from operating activities	
Receipts from customers and users	\$ 3,083,592
Payments to suppliers	(1,549,337)
Payments for personnel costs	<u>(1,078,076)</u>
Net cash provided by (used in) operating activities	<u>456,179</u>
Cash flows from capital and related financing activities	
Interest paid	(403,691)
Capital grant	84,912
Deposits with others	584,648
Principal paid on contracts	(600,000)
Acquisitions of capital assets	<u>(151,129)</u>
Net cash provided by (used in) capital and related financing activities	<u>(485,260)</u>
Cash flows from investing activities	
Interest received	<u>47,047</u>
Net increase (decrease) in cash and cash equivalents	17,966
Cash and pooled investments, beginning of year	<u>2,329,157</u>
Cash and pooled investments, end of year	<u><u>\$ 2,347,123</u></u>
Cash flows from operating activities	
Operating income (loss)	\$ (212,134)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	771,890
Other income	12,050
Change in operating assets and liabilities which provided (used) cash	
Due from other governments	108,804
Prepaid items	41
Inventory	1,486
Accounts payable	(72,486)
Due to other governments	<u>(153,472)</u>
Net cash provided by (used in) operating activities	<u><u>\$ 456,179</u></u>

Noncash capital and related financing activities:

\$84,912 in bond principal payments were made by the cities of Grand Haven and Ferrysburg directly to Ottawa County Public Utilities.

\$21,105 in interest was added to deposits held by Ottawa County Public Utilities as a result of unspent 2018 bond proceeds issued by Ottawa County Public Utilities on behalf of the Grand Haven - Spring Lake Sewer Authority.

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

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GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Grand Haven – Spring Lake Sewer Authority (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Authority was 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 participating municipalities: the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, the Township of Spring Lake, and the Charter Township of Grand Haven.

Under a contract executed in 1974 and subsequently amended, the City of Grand Haven (the City) is operating and maintaining the Authority's property. Monthly operating expenses are billed by the City to the constituent municipalities for their proportionate share of those expenses.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Authority. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Authority.

Measurement Focus and Basis of Accounting

The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

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

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.

Cash and Pooled Investments

For the purpose of the statement of cash flows, the Authority considers cash and pooled investments to be cash and cash equivalents because the pooling of these balances allows for withdrawal of these balances at any time similar to a demand deposit account.

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Set-aside Cash and Cash Equivalents

The Board of Trustees has set aside cash in the amount of \$675,979 at year-end for future capital improvements. The related cash and cash equivalents are reported as current assets on the statement of net position.

Investments

State statutes and Authority policy authorize the Authority to invest in:

- a. Bond, 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. Banker's 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.

Receivables

All receivables are reported at their net value. Allowance for uncollectible receivables was immaterial at year-end.

Due from Other Governments

The amount due from participating municipalities for their outstanding operating charges at year-end totaled \$562,600.

Inventory

Inventory consists principally of chemicals which are used for operations. Inventory is stated at cost using the first-in first-out (FIFO) method.

Prepaid Items

The Authority made payments prior to year-end for services that will be performed in the next fiscal year. In these situations, the Authority records an asset to reflect the investment in future services.

Deposits with Other Units of Government

Deposits with others consist of remaining bond proceeds held at the Ottawa County Public Utilities System for the purposes of the completion of plant renovations and improvements.

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Capital Assets

Capital assets are stated at cost and include items defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	Years
Treatment plant	5-40
Pumping stations	6-40
Wastewater mains	40
Office, laboratory and transportation equipment	5-45

Due to Other Governments

The amounts due to the City of Grand Haven for payment in lieu of taxes, motorpool charges and other items were \$13,580 at year-end.

In addition, all operating personnel of the Authority are employees of the City of Grand Haven. Amounts due to operating personnel for accrued wages, health benefits, and compensated absences are shown in the financial statements as due to other governments. The amounts due to the City for these costs at year-end were \$28,564.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Where applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Issuance costs are reported as an expense in the year of issuance.

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year the Authority carried commercial insurance to cover risks of losses. The Authority has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2. DEPOSITS

The captions on the financial statements relating to cash and cash equivalents are as follows:

Cash and pooled investments	\$1,671,144
Set-aside cash and cash equivalents	<u>675,979</u>
Total	<u>\$2,347,123</u>

Cash and investments making up the above balances are as follows:

Deposits	\$ 954,245
Investments	1,392,778
Petty cash	<u>100</u>
Total	<u>\$2,347,123</u>

The deposits are in financial institutions located in Michigan. State policy limits the Authority's investing options to financial institutions located in Michigan. All accounts are in the name of the Authority. They are recorded in the Authority's records at fair value. Interest is recorded when earned.

Investments

The Authority chooses to disclose its investments by specifically identifying each. As of year-end, the Authority had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Michigan CLASS pool	N/A	\$1,392,778	AAAm	S&P

Investment and Deposit Risk

Custodial Credit Risk - Deposits. 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 does not have, a policy for deposit custodial credit risk. As of year-end, \$704,245 of the Authority's bank balance of \$954,245 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Interest Rate Risk. State law and Authority policy limit the allowable investments and the maturities of some of the allowable investments as identified in Note 1, the summary of significant accounting policies. 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 in Note 1, the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk.

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Authority does not have a policy for investment custodial credit risk. The above investment is invested in an external investment pool for which the Authority's custodial credit risk exposure cannot be determined because the external investment pool does not consist of specifically identifiable securities.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1, the summary of significant accounting policies. The Authority's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year-end are reported above.

The Authority categorizes its fair value measurements of investments within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority has the following recurring fair value measurements as of year-end.

- The Authority does not have any investments that are valued using quoted market prices (Level 1 inputs).
- Michigan CLASS pool is valued using a pricing model utilizing observable fair value measures of fund/pool investments and other observable inputs to determining the fair value of the securities making up the of investments fund/pool (Level 2 inputs).
- The Authority does not have any investments that report fair value based on significant unobservable inputs (Level 3 inputs).

3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated				
Land	\$ 575,210	\$ -	\$ -	\$ 575,210
Construction in progress	250,991	30,236	250,991	30,236
Total capital assets, not being depreciated	826,201	30,236	250,991	605,446
Capital assets, being depreciated				
Treatment plant	9,746,938	324,262	327,212	9,743,988
Pumping stations	13,713,256	-	-	13,713,256
Wastewater mains	4,446,022	-	-	4,446,022
Office, laboratory and transportation equipment	500,105	47,620	32,197	515,528
Total capital assets, being depreciated	28,406,321	371,882	359,409	28,418,794

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Less accumulated depreciation for:				
Treatment plant	\$ 8,134,719	\$ 158,290	\$323,566	\$ 7,969,443
Pumping stations	2,897,467	525,307	-	3,422,774
Wastewater mains	692,089	52,939	-	745,028
Office, laboratory and transportation equipment	310,081	35,355	22,960	322,476
Total accumulated depreciation	12,034,356	771,891	346,526	12,459,721
Net capital assets, being depreciated	16,371,965	(400,009)	12,883	15,959,073
Capital assets, net	\$17,198,166	\$(369,773)	\$263,874	\$16,564,519

4. LONG-TERM DEBT

The following is a summary of the debt transactions of the Authority for the year ended June 30, 2023.

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
Contract payable to Ottawa County for Wastewater Treatment System Bonds. Payable in annual installments from \$65,000 to \$210,000 through 2032; interest at 2.0% to 3.0%	\$1,625,000	\$ -	\$120,000	\$ 1,505,000	\$130,000
Contract payable to Ottawa County for Wastewater Treatment System Bonds. Payable in annual installments from \$415,000 to \$875,000 through 2038; interest at 3.0% to 5.0%	10,590,000	-	480,000	10,110,000	505,000
Total	\$12,215,000	\$ -	\$600,000	\$11,615,000	\$635,000

The annual requirements to amortize all debt outstanding as of June 30, 2023 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 635,000	\$ 452,275
2025	650,000	435,750
2026	685,000	405,950
2027	725,000	374,600
2028	760,000	341,450
2029-2033	4,105,000	1,280,850
2034-2038	4,055,000	499,000
Total	\$11,615,000	\$3,789,875

GRAND HAVEN – SPRING LAKE SEWER AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

All outstanding debt of the Authority is private placement debt.

The Authority charges participating municipalities to fund the payments of contracts payable to Ottawa County based on the volume of wastewater flow from each municipality. The Authority and the participating municipalities have pledged their full faith and credit for the repayment of the contracts. In the event of default, the Authority will be required to use general operating funds or levy an additional charge sufficient to pay the obligation, subject to applicable constitutional, statutory, and charter limitations.

5. COMMITMENTS

At year-end, the Authority had outstanding commitments of approximately \$348,719 for construction projects.

6. RETIREMENT BENEFITS AND NET OTHER POST-EMPLOYMENT BENEFITS

The Authority leases employees from the City of Grand Haven, Michigan, which participates in a single-employer defined benefit pension and single employer defined benefit and defined contribution healthcare plan. The Authority pays the actuarially-determined annual costs of retirement and OPEB benefits to the City during the fiscal year.

As of June 30, 2023, the estimated portion of the net pension liability and net OPEB liability for the Authority is \$2,446,683 and \$477,009, respectively.

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SUPPLEMENTARY INFORMATION

GRAND HAVEN-SPRING LAKE SEWER AUTHORITY

SCHEDULE OF PLANT OPERATIONS AND CHARGES

FOR THE YEAR ENDED JUNE 30, 2023

Plant operations and charges

Sludge removal	\$ 547,892
Wastewater treatment	346,911
Laboratory	336,256
Secondary treatment	192,955
Buildings and grounds	134,863
Spring Lake pumping	78,857
Grand Haven pumping	69,468
Odor control	21,077
Ultraviolet disinfection	49,816
Wastewater thickeners	37,082
Local pumping	9,291
Grit and screening	22,981
Waste primaries	35,149
Sludge storage	35,954
Phosphate removal	<u>4,180</u>

Total plant operations and charges

\$ 1,922,732

GRAND HAVEN-SPRING LAKE SEWER AUTHORITY

SCHEDULE OF DEBT ISSUED AND OUTSTANDING

JUNE 30, 2023

Year Ending June 30,	2013 Wastewater Improvement Bonds		2018 Wastewater Improvement Bonds		Total
	Principal	Interest	Principal	Interest	
2024	\$ 130,000	\$ 45,150	\$ 505,000	\$ 407,125	\$ 1,087,275
2025	135,000	41,250	515,000	394,500	1,085,750
2026	145,000	37,200	540,000	368,750	1,090,950
2027	155,000	32,850	570,000	341,750	1,099,600
2028	165,000	28,200	595,000	313,250	1,101,450
2029	175,000	23,250	615,000	295,400	1,108,650
2030	190,000	18,000	640,000	270,800	1,118,800
2031	200,000	12,300	665,000	245,200	1,122,500
2032	210,000	6,300	690,000	218,600	1,124,900
2033	-	-	720,000	191,000	911,000
2034	-	-	750,000	162,200	912,200
2035	-	-	780,000	132,200	912,200
2036	-	-	810,000	101,000	911,000
2037	-	-	840,000	68,600	908,600
2038	-	-	875,000	35,000	910,000
	<u>\$ 1,505,000</u>	<u>\$ 244,500</u>	<u>\$ 10,110,000</u>	<u>\$ 3,545,375</u>	<u>\$ 15,404,875</u>