

# **NORTHWEST OTTAWA WATER SYSTEM**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**



Vredeveld Haefner LLC  
CPAs and Consultants

# NORTHWEST OTTAWA WATER SYSTEM

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### INDEPENDENT AUDITORS' REPORT

October 17, 2023

Members of the Administrative Committee  
Northwest Ottawa Water System  
Grand Haven, Michigan

#### Opinions

We have audited the accompanying financial statements of the Northwest Ottawa Water System (NOWS) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise NOWS' 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 NOWS, as of June 30, 2023, and the respective 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 NOWS, 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 NOWS' 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 NOWS' 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 NOWS' 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 Northwest Ottawa Water System financial statements as a whole. The schedule of debt issued and outstanding is presented for purposes of additional analysis and is 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 schedule of debt issued and outstanding is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Urodevelo Haefner LLC*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the Northwest Ottawa Water System (NOWS), we offer readers of the NOWS financial statements this narrative overview and analysis of the financial activities of NOWS 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 Northwest Ottawa Water System (NOWS) water treatment plant (WTP) makes projections on revenue by estimating wholesale water pumpage for over 40,000 regional retail customers. The volume of water pumped is significantly influenced by unpredictable weather conditions and population growth. The balance between revenue and expenses varies each budget year based on those predictions, the current market conditions and asset maintenance or replacement needs.
- In FY 2022/23, NOWS increased their wholesale rate from \$1.01 to \$1.08 per thousand gallons to increase revenue to cover higher costs in plant operations and for anticipated capital replacement projects.
- In June 2022, NOWS High Service Pump #3 caught fire due to a component failure of the variable frequency drive (VFD), which caused damage to the control system. A temporary solution was put in place until full replacement could be accomplished. The replacement of the VFD controls cabinet for High Service Pump #3, and the proactive replacement of the VFD controls cabinet for High Service Pump #2, was hoped to be completed in FY 2022/23, but due to delays in parts, the project was completed in FY 2023/24. The cost of the project for labor and materials was \$250,000, expenses were partially offset by insurance proceeds.
- In FY 2022/23 NOWS WTP set a new month of June facility record for the amount of water pumped. In June 2023, NOWS pumped 410.716 million gallons of water to their service area.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the NOWS financial statements. The NOWS 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 NOWS 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 NOWS is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing how the NOWS 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 NOWS, assets exceeded liabilities by \$14,205,391 at the close of the most recent fiscal year.

A portion of the NOWS 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 and infrastructure), less any related debt used to acquire those assets that is still outstanding. NOWS uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the NOWS 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.

<b>Net Position</b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>
Current and other assets	\$ 2,016,783	\$ 1,476,925
Capital assets	17,865,744	18,557,200
<b>Total assets</b>	<b>19,882,527</b>	<b>20,034,125</b>
Current liabilities	613,199	557,168
Long-term liabilities outstanding	5,063,937	5,591,731
<b>Total liabilities</b>	<b>5,677,136</b>	<b>6,148,899</b>
Net position		
Net investment in capital assets	12,845,744	13,127,200
Unrestricted	1,359,647	758,026
<b>Total net position</b>	<b>\$14,205,391</b>	<b>\$13,885,226</b>

The total net position of NOWS at June 30, 2023 was \$14,205,391, however, \$12,845,744 represents net investment in capital assets including infrastructure.

<b>Revenues, Expenses and Changes in Net Position</b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>
Operating revenue	\$ 1,779,110	\$ 1,633,521
Operating expense	2,404,338	2,285,701
Operating income (loss)	(625,228)	(652,180)
Nonoperating revenue (expense)	945,393	765,760
Changes in net position	320,165	113,580
<b>Net position - beginning of year</b>	<b>13,885,226</b>	<b>13,771,646</b>
<b>Net position - end of year</b>	<b>\$14,205,391</b>	<b>\$13,885,226</b>

During the year ended June 30, 2023, NOWS had an increase in net position of \$320,165.

## Capital Asset and Debt Administration

**Capital assets.** The NOWS investment in capital assets as of June 30, 2023 amounted to \$17,865,744 (net of accumulated depreciation). Significant capital purchases during the year consisted primarily of a new HSP #3 VFD cabinet, HVAC management system, and security camera system. The NOWS capital assets (net of depreciation) are summarized as follows:

<b>Capital Assets</b>	
Land	\$ 26,000
Water plant	16,063,227
Lake intakes	1,643,994
Water mains	66,094
Machinery and equipment	66,429
<b>Total</b>	<b><u>\$17,865,744</u></b>

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

**Debt.** At the end of the current fiscal year, NOWS had long-term debt consisting of contracts payable to Ottawa County totaling \$5,020,000. Additional information on the NOWS 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 NOWS budget for the 2023-24 fiscal year:

- The Northwest Ottawa Water System (NOWS) WTP reviews water rates annually for debt and operations. Debt service requirements, as well as actual consumption, continue to modify the debt rate.
- Planned and unplanned capital improvements needs with plant equipment can also cause rate variations to the Replacement Fund. Forecasted capital needs are included in the annual Capital Improvement Plan.
- The NOWS WTP wholesale rate of \$1.08 per thousand gallons will be unchanged for FY 2023/24.
- NOWS WTP revenue is most affected by weather conditions and industrial, commercial, and residential water demand growth spurred on by population growth.
- Economic factors include the general economic climate and forecasts of future operating needs.
- The NOWS WTP continues to monitor and test the water supply, and remains in compliance with all regulatory guidelines.

## Requests for Information

The City of Grand Haven provides, by contract, fiscal and administrative services to NOWS. This financial report is designed to provide interested individuals including citizens, property owners, customers, investors and creditors with a general overview of the NOWS finances and to show the NOWS Administrative Committee 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**

# NORTHWEST OTTAWA WATER SYSTEM

## STATEMENT OF NET POSITION

JUNE 30, 2023

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### Assets

#### Current assets

Cash and cash equivalents	\$ 158,243
Set-aside cash and cash equivalents	1,084,545
Accounts receivable	37,133
Due from other governments	651,446
Prepaid items	457
Inventory	84,959

Total current assets	<u>2,016,783</u>
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#### Non-current assets

##### Capital assets

Land	26,000
Depreciable capital assets, net	<u>17,839,744</u>

Total non-current assets	<u>17,865,744</u>
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<b>Total assets</b>	<u><b>19,882,527</b></u>
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### Liabilities

#### Current liabilities

Accounts payable	80,167
Billing adjustment due to member units	15,036
Due to other governments	50,863
Accrued interest payable	37,133
Current portion of long-term debt	<u>430,000</u>

Total current liabilities	<u>613,199</u>
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#### Long-term liabilities

Bond premium	473,937
Long-term debt, net of current portion	<u>4,590,000</u>
Total long-term liabilities	<u>5,063,937</u>

<b>Total liabilities</b>	<u><b>5,677,136</b></u>
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### Net position

Net investment in capital assets	12,845,744
Unrestricted	<u>1,359,647</u>

<b>Total net position</b>	<u><b>\$ 14,205,391</b></u>
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The accompanying notes are an integral part of these financial statements.

# NORTHWEST OTTAWA WATER SYSTEM

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2023

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<b>Operating revenue</b>	
Charges for services	\$ 1,779,110
<b>Total operating revenue</b>	<u>1,779,110</u>
<b>Operating expense</b>	
Intake	453,736
Treatment	878,530
Administrative	341,352
Replacement	6,195
Depreciation	<u>724,525</u>
<b>Total operating expense</b>	<u>2,404,338</u>
Operating income (loss)	<u>(625,228)</u>
<b>Non-operating revenue (expense)</b>	
Debt service charge	787,891
Capital replacement charge	192,566
Interest on investments	4,226
Interest expense	(140,042)
Miscellaneous revenue	<u>100,752</u>
<b>Total non-operating revenue (expense)</b>	<u>945,393</u>
Changes in net position	320,165
<b>Net position, beginning of year</b>	<u>13,885,226</u>
<b>Net position, end of year</b>	<u><u>\$ 14,205,391</u></u>

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

# NORTHWEST OTTAWA WATER SYSTEM

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2023

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### Cash flows from operating activities

Receipts from customers and users	\$ 1,723,831
Payments to suppliers	(841,661)
Payments for personnel costs	<u>(776,692)</u>

<b>Net cash provided by (used in) operating activities</b>	<u>105,478</u>
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### Cash flows from capital and related financing activities

Proceeds from debt service charge	787,891
Proceeds from capital replacement charge	192,566
Interest paid	(240,570)
Principal paid on bonds and notes	(410,000)
Acquisitions of capital assets	<u>(33,069)</u>

<b>Net cash provided by (used in) capital and related financing activities</b>	<u>296,818</u>
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### Cash flows from investing activities

Interest received	<u>4,226</u>
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Net increase (decrease) in cash and cash equivalents	406,522
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<b>Cash and cash equivalents, beginning of year</b>	<u>836,266</u>
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<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,242,788</u></u>
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### Cash flows from operating activities

Operating income (loss)	(625,228)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation	724,525
Miscellaneous revenue	100,752
Change in operating assets and liabilities which provided (used) cash	
Accounts receivable	2,734
Due from other governmental units	(138,708)
Prepaid expenses	(457)
Inventory	3,095
Accounts payable	58,822
Due to other governmental units	<u>(20,057)</u>

<b>Net cash provided by (used in) operating activities</b>	<u><u>\$ 105,478</u></u>
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The accompanying notes are an integral part of these financial statements.

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# NORTHWEST OTTAWA WATER SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of The Northwest Ottawa Water System (NOWS) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### ***Reporting Entity***

NOWS was established for the purpose of constructing, owning, and operating a water treatment 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 1988, the City of Grand Haven (the City) is operating and maintaining NOWS. 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 NOWS. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with NOWS.

#### ***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.

NOWS 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 NOWS principal ongoing operations. The principal operating revenues of NOWS are charges for services. Operating expenses of NOWS 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 NOWS policy to use restricted resources first, then unrestricted resources as they are needed.

#### ***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, NOWS considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

#### ***Set-aside Cash and Cash Equivalents***

The Administrative Committee has set aside \$1,084,545 at year-end for future capital improvements and debt service. The related cash and cash equivalents are reported as current assets on the statement of net position.

# **NORTHWEST OTTAWA WATER SYSTEM**

## ***NOTES TO THE FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2023***

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### ***Investments***

Investments are recorded at fair value.

State statutes and NOWS policy authorize NOWS 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.

### ***Inventory***

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

### ***Prepaid Items***

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

### ***Capital Assets***

Capital assets are stated at cost and include items defined by NOWS 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.



# NORTHWEST OTTAWA WATER SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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:

	<b>Years</b>
Water plant	5-50
Lake intakes	50
Water mains	10-50
Machinery and equipment	5-33
Office furniture	5-15

### ***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 \$2,808 at year-end.

In addition, all operating personnel of NOWS 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 \$48,055.

### ***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***

NOWS 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 ended June 30, 2023, NOWS carried commercial insurance to cover risks of losses. NOWS has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

## **2. DEPOSITS AND INVESTMENTS**

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

Cash and cash equivalents	\$ 158,243
Set-aside cash and cash equivalents	1,084,545
	<u><u><b>\$1,242,788</b></u></u>

# NORTHWEST OTTAWA WATER SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2023

Cash and cash equivalents consist of deposits managed by the City of Grand Haven under its contractual administration obligations. NOWS cash and cash equivalents are segregated from all other City-managed funds in separate bank accounts with the exception of funds transferred timely to payroll and accounts payable checking accounts as processed. Deposit risk for NOWS cannot be separately determined from the City of Grand Haven.

### 3. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>
<b>Capital assets, not being depreciated</b>				
Land	\$ 26,000	\$ -	\$ -	\$ 26,000
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	26,000	-	-	26,000
<b>Capital assets, being depreciated</b>				
Water plant	30,229,390	33,069	-	30,262,459
Lake intakes	4,371,662	-	-	4,371,662
Water mains	706,638	-	-	706,638
Machinery and equipment	192,752	-	-	192,752
Office furniture	13,102	-	-	13,102
Total capital assets, being depreciated	35,513,544	33,069	-	35,546,613
Less accumulated depreciation for:				
Water plant	13,578,295	620,937	-	14,199,232
Lake intakes	2,639,969	87,699	-	2,727,668
Water mains	631,560	8,984	-	640,544
Machinery and equipment	119,418	6,905	-	126,323
Office furniture	13,102	-	-	13,102
Total accumulated depreciation	16,982,344	724,525	-	17,706,869
<b>Net capital assets, being depreciated</b>	18,531,200	(691,456)	-	17,839,744
<b>Capital assets, net</b>	<b>\$18,557,200</b>	<b>\$(691,456)</b>	<b>\$ -</b>	<b>\$17,865,744</b>

# NORTHWEST OTTAWA WATER SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2023

#### 4. LONG-TERM DEBT

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

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>	<b>Due Within One Year</b>
Contract payable to Ottawa County for 2016 Refunding Bonds. Payable in annual installments from \$175,000 to \$325,000 through 2034; interest at 4.0% to 5.0%	\$3,035,000	\$ -	\$195,000	\$2,840,000	\$205,000
Contract payable to Ottawa County for 2021 Refunding Bonds. Payable in annual installments from \$215,000 to \$325,000 through 2031; interest at 4.0%	2,395,000	-	215,000	2,180,000	225,000
Total bonds	<u>\$5,430,000</u>	<u>\$ -</u>	<u>\$410,000</u>	<u>\$5,020,000</u>	<u>\$430,000</u>

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

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>
2024	\$ 430,000	\$ 222,800
2025	455,000	205,600
2026	470,000	187,400
2027	500,000	168,600
2028	520,000	146,250
2029-2033	2,320,000	372,750
2034	325,000	16,250
<b>Total</b>	<b><u>\$5,020,000</u></b>	<b><u>\$1,319,650</u></b>

All outstanding debt of NOWS is private placement debt.

NOWS charges participating municipalities to fund the payment of contracts payable to Ottawa County based on the water sales to each municipality. NOWS and the participating municipalities have pledged their full faith and credit for the repayment of the contracts. In the event of default, NOWS 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.

# NORTHWEST OTTAWA WATER SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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### 5. BILLING ADJUSTMENT

NOWS bills its member governmental units for operations, debt, and capital replacement. Following is an analysis of the billing adjustment related to the operations of NOWS:

Amounts contractually allowed to collect as adjusted for actual expenses	\$ 1,779,110
Amounts billed for fiscal year prior to June 30	(1,779,110)
Working capital excess	<u>15,036</u>
Total due from (to) member units	<u>\$ 15,036</u>

### 6. WORKING CAPITAL

In accordance with the master agreement with the member governmental units, the Administrative Committee of NOWS has agreed to maintain 5/24<sup>th</sup> of the operating expenses, excluding depreciation, for working capital.

Excess working capital may be refunded to the member governmental units at the discretion of the Administrative Committee. For the year ended June 30, 2023, the NOWS working capital was surplus by \$15,036.

### 7. RETIREMENT BENEFITS AND NET OTHER POST-EMPLOYMENT BENEFITS

NOWS utilizes employees from the City of Grand Haven, Michigan, who participate in a single-employer defined benefit pension and single employer defined benefit and defined contribution healthcare plan. NOWS paid 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 NOWS is \$2,030,935 and \$462,175, respectively.

### 8. CONTINGENCIES

In the normal course of its activities, NOWS has become a party in various legal actions and subject to certain asserted or unasserted claims and assessments. NOWS is of the opinion that the outcome of any pending actions will not have a material effect on the NOWS financial position or results of operations.

## **SUPPLEMENTARY INFORMATION**

# NORTHWEST OTTAWA WATER SYSTEM

## SCHEDULE OF DEBT ISSUED AND OUTSTANDING

***JUNE 30, 2023***

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<b><i>Year Ending June 30,</i></b>	<b>2021 Refunding Bonds</b>		<b>2016 Refunding Bonds</b>		<b><u>Total</u></b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2024	\$ 225,000	\$ 87,200	\$ 205,000	\$ 135,600	\$ 652,800
2025	240,000	78,200	215,000	127,400	660,600
2026	250,000	68,600	220,000	118,800	657,400
2027	265,000	58,600	235,000	110,000	668,600
2028	280,000	48,000	240,000	98,250	666,250
2029	290,000	36,800	255,000	86,250	668,050
2030	305,000	25,200	265,000	73,500	668,700
2031	325,000	13,000	280,000	60,250	678,250
2032	-	-	295,000	46,250	341,250
2033	-	-	305,000	31,500	336,500
2034	-	-	325,000	16,250	341,250
	<u>\$ 2,180,000</u>	<u>\$ 415,600</u>	<u>\$ 2,840,000</u>	<u>\$ 904,050</u>	<u>\$ 6,339,650</u>