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LOCAL AUDIT & FINANCE DIV.

GENOA-OCEOLA SEWER
& WATER AUTHORITY

47-7515

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2004

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

Michigan Deptartment of Treasury
496 (2-04)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type	Local Government Name	County
☐ City ☐ Township ☐ Village ☑ Other	GENOA-OCEOLA SEWER & WATER AUTH.	LIVINGSTON

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
9/30/04	12/18/04	1/12/05

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

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We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

☐ Yes ☑ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.

☐ Yes ☑ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).

☐ Yes ☑ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).

☐ Yes ☑ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.

☐ Yes ☑ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).

☐ Yes ☑ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

☐ Yes ☑ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).

☐ Yes ☑ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).

☐ Yes ☑ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✔
Reports on individual federal financial assistance programs (program audits).			✔
Single Audit Reports (ASLGU).			✔

Certified Public Accountant (Firm Name)			
PFEFFER, HANNIFORD & PALKA, P.C.			
Street Address	City	State	ZIP
225 E. GRAND RIVER, STE. 104	BRIGHTON	MI	48116
Accountant Signature		Date	
		1/12/05	

GENOA-OCEOLA SEWER & WATER AUTHORITY

SEWER & WATER AUTHORITY BOARD

Chairman - Gary McCririe
Vice-Chairman - William Bamber
Treasurer - Robin Hunt
Secretary - Lance Schuhmacher

REPRESENTATIVES OF LIVINGSTON COUNTY DRAIN COMMISSION

Brian Jonckheere
Greg Tatara

SEWER & WATER AUTHORITY ATTORNEY

Neal D. Nielsen

SEWER & WATER AUTHORITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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December 18, 2004

Sewer & Water Authority Board
Genoa-Oceola Sewer & Water Authority
2911 Dorr Road
Brighton, Michigan 48116

INDEPENDENT AUDITORS' REPORT

Honorable Board of Trustees:

We have audited the accompanying financial statements of the Genoa-Oceola Sewer & Water Authority as of and for the year ended September 30, 2004. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted our audit 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 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 Genoa-Oceola Sewer & Water Authority, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year end in conformity with accounting principles generally accepted in the United States of America.

As described in Note 7, the Authority has implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis-for State and Local Governments*, as of September 30, 2004.

The Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Genoa-Oceola Sewer & Water Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, fairly states in all material respects in relation to the basic financial statements as a whole.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Within this section of the Genoa-Oceola Sewer & Water Authority financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2004. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's financial statements. The financial statements include all the statements required by the Governmental Accounting Standards Board and the notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Authority's annual reports include two Authority-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Revenues, Expenses and Changes in Net Assets which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

The Authority's financial reporting includes all the funds of the Authority (primary government) and, additionally, organizations for which the Authority is accountable (component units). Since the Authority's sole purpose is to operate and manage a sewer system, only one fund is maintained. Thus, there are no fund financial statements prepared by the Authority.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Other information

In addition to the financial statements and accompanying notes, this report also presents certain supplementary information. Other supplementary information includes a budget to actual reconciliation for current year Authority operations.

Financial Analysis of the Authority as a Whole

The Authority's net assets at the end of the fiscal year were $25,616,006. This is a $253,960 increase over last year's net assets of $25,362,046.

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	9/30/04	9/30/03
Current and other assets	$ 684,115	$ 694,167
Restricted assets	5,782,224	5,913,132
Capital assets, net	24,698,818	24,489,637
Total assets	31,165,157	31,096,936
Accounts payable and other current liabilities	179,151	169,890
Bonds payable	5,370,000	5,565,000
Total liabilities	5,549,151	5,734,890
Net assets:		
Invested in capital assets, net of related debt	19,328,818	18,924,637
Unrestricted	6,287,188	6,437,409
Total net assets	$ 25,616,006	$ 25,362,046

Summary of Changes in Net Assets

	9/30/04	9/30/03
Operating revenues	$ 1,122,859	$ 1,018,487
Operating expenses		
System operations	1,824,131	1,593,521
Administrative	133,133	116,443
Total operating expenses	1,957,264	1,709,964
Operating income	(834,405)	(691,477)
Non-operating revenues, net	2,929	14,333
Capital contributions - member townships	1,085,436	3,589,331
Net income	253,960	2,912,187
Beginning net assets	25,362,046	22,449,859
Ending net assets	$ 25,616,006	$ 25,362,046

Revenues from operations increased by 10.2%, as usage increased due to 250 new users being added to the system. Annual sewage process increased from 281.5 million gallons for fiscal year ended September 30, 2003, to 318.8 million gallons, a 13.3% increase. Operating expenses increased slightly over the prior year, as general repairs and maintenance were performed on the system. Member capital contributions dropped by $2,503,895 because of the completion of system improvements made.

As a result, net income decreased from $2,912,187 for the year ended September 30, 2003 to 253,960 for the year ended September 30, 2004.

Capital and Debt Administration

As of September 30, 2004, the authority had only one set of bonds outstanding for the sewage treatment system. The outstanding balance for these bonds totaled $5,370,000 at fiscal year end. Genoa & Oceola townships are paying their portion of this debt for the Authority with their respective new user funds.

The member townships and various developers directly spent approximately $1,085,436 for additions to the collection system (sewer lines, pumps, etc.). This amount is recorded as capital contributions or income in the statement of revenues and expenses since the infrastructure is added to the Authority's fixed assets and will be depreciated over future years. The Authority also spent $17,365 for equipment used at the sewage treatment facility and in the collection system.

Economic Factors and Next Year's Goals

The Authority's financial outlook continues to remain strong. The population in the service area is expected to grow with new users being regularly added to the system.

The Authority faces challenges in the future, as well. Rising energy and fuel costs pose challenges to both the Authority and its customers. During this fiscal year, the Authority's electrical and heating costs increased by nearly 10% from the prior year. If such trends continue, these costs will be passed on to customers.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have further questions about this report or request additional information, please contact the Authority at 2911 Dorr Road, Brighton, Michigan, 48116.

GENOA-OCEOLA SEWER & WATER AUTHORITY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2004

ASSETS

CURRENT ASSETS		
Cash	$ 183,452	
Accounts receivable - sewer	440,717	
Accounts receivable - MHOG SWATH	47,896	
Inventory - parts	12,050	
Total current assets		$ 684,115
RESTRICTED ASSETS		
Cash - sewer equipment and future improvements	388,060	
Cash - expansion	264	
Cash - debt service	23,900	
Accounts receivable - member townships	5,370,000	
Total restricted assets		5,782,224
CAPITAL ASSETS		
Land	290,720	
Sewer system	35,536,024	
Software, equipment and furniture	127,501	
	35,954,245	
Less accumulated depreciation	11,255,427	
Capital assets		24,698,818
Total assets		31,165,157

LIABILITIES

CURRENT LIABILITIES		
Accounts payable	118,151	
Notes payable - member townships	61,000	
Total current liabilities		179,151
CURRENT LIABILITIES (from restricted assets)		
Bonds payable - expansion		205,000
Total current liabilities		384,151
LONG-TERM LIABILITY (from restricted assets)		
Bonds payable - expansion		5,165,000
Total liabilities		5,549,151

NET ASSETS

NET ASSETS		
Investment in capital assets, net of related debt	19,328,818	
Unreserved - sewer	6,287,188	
Total net assets		$ 25,616,006

The accompanying notes are an integral part of these financial statements

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

GENOA-OCEOLA SEWER & WATER AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2004

OPERATING REVENUES	
Billings	$ 1,122,859
OPERATING EXPENSES	
Engineering fees	11,835
Depreciation	883,845
Contracted labor - operators (fixed fee)	353,734
Additional labor costs (meter reads)	19,781
Groundwater discharge	93,435
Wetland monitoring	4,119
Sludge disposal	85,397
Chemicals	350
Mapping project	7,152
Repairs and maintenance - grounds and buildings	2,846
Repairs and maintenance - plant equipment	31,740
Repairs and maintenance - sewer lines	13,201
Repairs and maintenance - pumps	63,458
Repairs and maintenance - other	7,893
Sewer line cleaning	30,370
Inspections	5,364
Utilities - electric	147,107
Utilities - gas	9,226
Telephone	38,733
Lab supplies	10,542
Parts	3,763
Miss Dig	240
Total operating expenses	1,824,131
ADMINISTRATIVE EXPENSES	
Insurance	22,229
Depreciation	9,775
Meter reading - billing preparation	70,761
Office expenses	633
Authority per-diem fees	7,125
Bookkeeping	4,800
Accounting and audit fees	17,810
Total administrative expenses	133,133
Total expenses	1,957,264
OPERATING (LOSS)	(834,405)
NON-OPERATING REVENUES	
Interest	2,853
Miscellaneous	76
Total other income	2,929
CAPITAL CONTRIBUTIONS	
Member contributions	1,085,436
Net income	253,960
NET ASSETS, OCTOBER 1, 2003	25,362,046
NET ASSETS, SEPTEMBER 30, 2004	$ 25,616,006

The accompanying notes are an integral part of these financial statements

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

GENOA-OCEOLA SEWER & WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM (USED-IN) OPERATING ACTIVITIES		
Receipts from customers	$ 1,251,483	
Payments to vendors	(1,054,383)	
Net cash from operating activities		$ 197,100
CASH FLOWS FROM (USED-IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of principal on bonds	(195,000)	
Acquisition of property, plant and equipment	(17,365)	
Net cash (used in) capital and related financing activities		(212,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		2,853
(Decrease) in cash		(12,412)
CASH AT OCTOBER 1, 2003		608,088
CASH AT SEPTEMBER 30, 2004		$ 595,676
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM (USED IN) OPERATING ACTIVITIES		
Operating (loss)		$ (834,405)
Adjustments to reconcile operating (loss) to net cash from (used in) operating activities		
Miscellaneous income		76
Depreciation expense		893,620
Changes in assets and liabilities		
Receivables, net		(66,452)
Accounts and other payables		204,261
Net cash provided by operating activities		$ 197,100

The accompanying notes are an integral part of these financial statements

NOTES

TO

FINANCIAL

STATEMENTS

NOTE 1 - DESCRIPTION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE REPORTING ENTITY

The Genoa-Oceola Sewer & Water Authority was established on November 1, 1990, under Act No. 233, Public Acts of Michigan, 1955 as amended. The purpose of this Authority is to acquire, own, improve, enlarge, extend, operate, maintain, manage and administer sewage disposal systems, water supply systems, or both.

The sewer system is located in both Genoa and Oceola Townships.

The financing of the sewer system has taken place at the township level (Genoa and Oceola) and the county level (Livingston County Drain Commission). The related debt service funds and construction funds (capital project) are maintained in the financial statements of those aforementioned entities.

Based on the criteria established by Government Accounting Standards Board (GASB) Statement Number 39, all funds, activities and agencies are included in the Authority's reporting entity.

The Authority board is composed of three members appointed by the Genoa Township Board, three members appointed by the Oceola Township Board and two representatives from the Livingston County Drain Commission. One of the three members appointed by the township boards serve as alternates in the event one of the two regular members is absent from an Authority board meeting.

A. SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Authority are organized on the basis of a proprietary fund type, specifically an Enterprise Fund. The activities of this fund are accounted for with a separate set of self-balancing accounts that comprise the Authority's assets, liabilities, net assets, revenues, and expenses. Enterprise funds account for activities:

1. that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or
2. that are required by laws or regulations that the activity's costs of providing service, including capital costs (such as deprecation or debt service), be recovered with fees and charges, rather than with taxes or similar reviews; or
3. that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

B. MEASUREMENT FOCUS

The financial activities of the Authority are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with its operations are included on the statement of net assets; revenues are recorded when earned, and expenses are recorded when liabilities are incurred.

C. CASH AND CASH EQUIVALENTS

The Authority considers its deposits and restricted deposits and investments held with maturities of three months or less are considered to be cash equivalents.

NOTE 1 - DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 40 years for equipment and 5 to 40 years for buildings, structures, and improvements.

E. CONSTRUCTION-IN-PROGRESS

The costs of acquisition and construction of major plant and equipment is recorded as construction-in-progress. As facilities are accepted by the Authority and become operative, they are transferred to the facilities and improvements or machinery and equipment accounts and depreciated in accordance with the Authority's depreciation policies. Costs of construction projects that are discontinued are recorded as expense in the year in which the decision is made to discontinue such projects.

F. CAPITALIZATION OF INTEREST

A portion of the interest cost incurred on capital projects is capitalized on assets that require a period of time for construction or to otherwise prepare them for their intended use. Such amounts are amortized over the useful lives of the assets.

G. PREMIUM, AND ISSUANCE COSTS

Bond discount, premium, and issuance costs are amortized over the term of the related bonds. No such bond discount/premiums or issuance costs were outstanding or issued during the year ended September 30, 2004.

H. INCOME TAXES

As a governmental agency, the Authority is exempt from both federal income taxes and Michigan Single Business Tax.

NOTE 2 - MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority's deposits are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Authority's deposits are as follows:

Deposits	Carrying Amount	Bank Balance
Insured (FDIC)	$ 100,000	$ 100,000
Uninsured and uncollateralized	495,676	497,237
Total deposits	$ 595,676	$ 597,237

NOTE 4 - ACCOUNTS RECEIVABLE

Accounts receivable consist of regular quarterly billings and penalties. Each year, as of September 30, accounts receivable that are over 90 days old are placed on the tax roll for the applicable township. As of September 30, 2004, approximately $78,814 of the outstanding $440,717 accounts receivable went on the tax roll for collection. The Authority will receive the $78,814 by March of 2005 through the tax collection process. The remaining accounts receivable of $361,903 ($440,717 - $78,814) were under 90 days old as of September 30, 2004.

NOTE 5 - INVENTORY

Inventory consists of extra repair parts for the sewer system and is recorded at cost.

NOTE 6 - CAPITAL ASSETS

	Balance 10-01-03	Additions	Deletions	Balance 9-30-04
Software, equipment and furniture	$ 118,897	$ 8,604	$	$ 127,501
Sewer System	34,441,827	1,094,197		35,536,024
Land	290,720			290,720
Total	34,851,444	1,102,801		35,954,245
Accumulated depreciation	10,361,807	893,620		11,255,427
Capital assets, net	$ 24,489,637	$ 209,181	$	$ 24,698,818

Net capital assets	$ 24,698,818
Bonds payable	(5,370,000)
Interest in capital assets, net of related debt	$ 19,328,818

NOTE 7- LONG-TERM DEBT

On September 19, 2001, the Authority sold $5,750,000 in bonds (Oceola's portion - $4m and Genoa's portion $1.75m) to finance a portion of the construction costs in expanding the wastewater treatment plant. Principal is payable in annual installments of $185,000 to $460,000 starting June 2003 until its maturity in June 2021. Interest is charged at 4.0% to 4.8% payable semi-annually.

The Authority will be making all debt service payments. However, all amounts are to be repaid by Genoa Township and Oceola Township for their portion of sewer expansion costs. Therefore, the interest expense portion are recorded by the member townships.

The following is a schedule of principal and interest payments to service the long-term debt:

	Principal	Interest	Total
2004 - 2005	$ 205,000	$ 235,886	$ 440,886
2005 - 2006	215,000	227,686	442,686
2006 - 2007	225,000	219,086	444,086
2007 - 2008	240,000	210,086	450,086
2008 - 2009	250,000	200,486	450,486
2009 - 2014	1,460,000	839,618	2,299,618
2014 - 2019	1,880,000	485,206	2,365,206
2019 - 2021	895,000	64,822	959,822
	$ 5,370,000	$ 2,482,876	$ 7,852,876

NOTE 8 - STATEMENT OF CASH FLOWS

Pursuant to Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year.

Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations. The following is a summary of beginning and ending cash and cash equivalents:

	10-01-03	9-30-04
Current assets		
Cash	$ 259,956	$ 183,452
Restricted assets		
Cash	348,132	412,224
Total cash	$ 608,088	$ 595,676

NOTE 9 - 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. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - CONTINGENT LIABILITY - WASTEWATER TREATMENT SYSTEM

The Authority entered into a Consent Order with the Michigan Department of Environmental Quality (MDEQ) on December 10, 1999, to address excessive sodium and chloride concentrations being discharged to the local groundwater at the Genoa Oceola Wastewater Treatment Plant (WWTP).

The Authority has successfully eliminated the source of the sodium and chloride discharging to the local groundwater. The Genoa Oceola WWTP was expanded and converted to surface water discharge. The WWTP began discharging to surface water in fiscal year 2002.

In the fiscal year ended September 2002, the Authority's engineering consultants have completed a three phase hydro geological investigation. The Phase III Remedial Investigation Report (Ph III RI Report) was submitted to the MDEQ in March 2002. The MDEQ approved the Phase III R1 report on February 14, 2004. During the past fiscal year additional groundwater samples were collected, an additional well was installed to collect data for the groundwater surface water interface, and a Remedial Action Plan was prepared and submitted to the MDEQ.

In the year ending September 30, 2004, the Authority spent approximately $93,435 to comply with the Consent Order. On a cumulative basis, since June 1999 through September 30, 2004 the Authority has spent approximately $539,835 to comply with the consent order. This fee has been recorded as an expense under operations. The amount of additional costs for the next fiscal year ending September 30, 2005 is estimated to be as follows:

- $30,000 engineering/consulting fees for implementing the Remedial Action Plan for conducting groundwater monitoring activities.
- $130,000 costs associated with providing municipal water to several residents.

NOTE 11 - SEGMENT INFORMATION

Selected financial information is as follows:

Operating revenue	$ 1,122,859
Depreciation	893,620
Total assets	31,165,157
Total net assets	25,616,006
Net income	253,960

NOTE 12 - IMPLEMENTATION OF GASB STATEMENT NO. 34

The Authority has implemented the standards required by GASB Statement No. 34, for the year ended September 30, 2004. All required statements and disclosures have been included in the financial statements.

SUPPLEMENTARY

INFORMATION

GENOA-OCEOLA SEWER AND WATER AUTHORITY
SCHEDULE OF REVENUES AND EXPENSES – BUDGET TO ACTUAL
OPERATIONS ONLY
FOR THE YEAR ENDED SEPTEMBER 30, 2004

	Sewer Budget for the Year End 9/30/2004	Sewer Actual for the Year End 9/30/2004	Variance Favorable (Unfavorable)
REVENUES			
Billings	$ 1,088,000	$ 1,122,859	$ 34,859
Interest income	3,000	2,853	(147)
Miscellaneous	200	76	(124)
Total revenues	1,091,200	1,125,788	34,588
EXPENSES – OPERATIONS			
Labor – monthly fixed contract MPS/OMI	354,000	353,734	266
Labor – groundwater discharge – MPS/other	48,000	93,435	(45,435)
Labor – out of scope	13,000	19,781	(6,781)
Engineering	15,000	11,835	3,165
Licensing	3,000		3,000
Wetland monitoring/lab tests	4,200	4,119	81
Sludge disposal	80,000	85,397	(5,397)
Chemical and supplies	10,500	10,892	(392)
R & M - building	3,500	2,846	654
R & M - equipment	40,000	31,740	8,260
R & M – sewer line	16,000	13,201	2,799
R & M - pumps	60,000	63,458	(3,458)
R & M – other	10,000	7,893	2,107
Sewer line cleaning	35,000	30,370	4,630
Utilities - electric	150,000	147,107	2,893
Utilities – gas/oil	8,000	9,226	(1,226)
Spare parts	4,000	3,763	237
Telephone	40,000	38,733	1,267
Capital purchases	9,000	8,604	396
Inspections	2,500	5,364	(2,864)
Mapping project	7,200	7,152	48
Miss-Dig expenses	240	240	
Total operating expenses	913,140	948,890	(35,750)
EXPENSES – ADMINISTRATION			
Billing preparation/meter reading	70,000	70,761	(761)
Office	500	633	(133)
Accounting/audit fees	18,000	17,810	190
Bookkeeping	5,000	4,800	200
Per diem fees	7,500	7,125	375
Insurance	23,000	22,229	771
Total administration expenses	124,000	123,358	642
TRANSFERS TO RESERVES	70,000	70,000	
Total expenses/transfers	1,107,140	1,142,248	(35,108)
Net revenues over expenses and transfers	$ (15,940)	$ (16,460)	$ (520)

This schedule is prepared to present revenues and expenses related to current operations only (excludes member contributions and depreciation) and includes capital purchases and transfer to reserves and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.

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GENOA-OCEOLA SEWER AND WATER AUTHORITY
SCHEDULE OF REVENUES, EXPENSES AND TRANSFERS -
COMPARISON OVER PAST TWELVE YEARS

	9/30/2004	9/30/2003	9/30/2002	9/30/2001	9/30/2000
REVENUES					
Billings	$ 1,122,859	$ 1,018,487	$ 867,368	$ 720,158	$ 636,432
Interest income	2,853	5,359	23,468	15,570	11,850
Other income	76	8,974	6,072	26,385	2,602
Total revenues	1,125,788	1,032,820	896,908	762,113	650,884
EXPENSES – OPERATIONS					
Labor – fixed	353,734	351,030	265,800	177,004	127,371
Labor – out of scope	19,781	20,698	69,874	55,195	39,545
Groundwater discharge	93,435	3,418	120,313	119,259	123,949
Wetland monitoring	4,119	3,417	4,657		3,022
Sludge disposal	85,397	28,288	85,632	31,126	44,296
Chemicals and supplies	10,892	2,048	19,522	5,076	600
R & M - grounds and building	2,846	13,717	8,459	7,713	3,587
R & M - equipment	31,740	15,864	8,068	8,161	3,647
R & M – sewer line	13,201	45,141	4,733	17,644	20,945
R & M - pumps	63,458	49,987	62,433	41,289	27,693
R & M – other	7,893	2,250	1,480	972	7,448
Sewer line cleaning	30,370	22,832	9,296	4,725	
Utilities - electric	147,107	136,957	122,890	104,267	89,824
Utilities – gas/oil	9,226	5,177	543	1,571	1,484
Spare parts	3,763	1,071	4,547	18,451	11,191
Telephone	38,733	25,430	14,127	14,201	13,757
Inspections	5,364	563	3,834	606	366
Engineering fees	11,835				
Mapping project	7,152	3,653	1,986		
Miss-Dig expenses	240			110	138
Total expenses - operations	940,286	731,541	808,194	607,370	518,863
EXPENSES – ADMINISTRATION					
Billing preparation	70,761	64,249	58,561	53,783	48,526
Legal fees		627	342	664	1,255
Office	633	969	315	433	153
Accounting/audit fees	17,810	17,150	14,995	14,495	12,480
Bookkeeping	4,800	4,400			
Per diem fees	7,125	7,875	8,250	8,125	6,750
Consulting		835			
Insurance	22,229	4,731	4,463	10,410	6,232
Total expenses - administration	123,358	100,836	86,926	87,910	75,396
TRANSFERS TO RESERVES	70,0000	50,000		26,250	35,000
Total expenses and transfers to reserves	1,133,644	882,377	895,120	721,530	629,259
Net revenues, expenses, transfers	$ (7,856)	$ 150,443	$ 1,788	$ 40,583	$ 21,625

This schedule is prepared to present revenues and expenses related to current operations only (excludes member contributions and depreciation) and includes transfer to reserves and as such does not present the results of operations on the basis of generally accepted accounting principles but is presented for supplemental information.

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9/30/1999	9/30/1998	9/30/1997	9/30/1996	9/30/1995	9/30/1994	9/30/1993
$ 592,206	$ 516,745	$ 464,418	$ 424,051	$ 419,991	$ 378,766	$ 305,550
7,323	4,916	3,874	3,579	2,343	1,010	520
2,802	289	18,389	3,209	2,928	3,112	
602,331	521,950	486,681	430,839	425,262	382,888	306,070
123,680	118,633	111,167	108,420	102,818	96,744	98,911
43,837	49,096	26,398	19,511	9,120	1,855	
79,474						
3,714	3,078	4,556	8,478	10,183	3,953	10,040
31,653	27,656	23,737	19,364	6,783	13,644	17,645
					76	
3,034	7,391	2,288	2,793	5,808	2,879	
4,752	1,015	1,060	2,613	1,433	299	4,921
17,632	14,041	3,350	8,393	2,876	955	
15,612	12,130	12,850	21,051	13,663	14,210	10,334
2,921	6,720	20,061	3,522	4,875	1,305	
93,817	89,552	83,910	74,109	89,231	80,361	69,361
801	1,567	1,364	1,186	807	1,808	
1,154	7,209	9,818	7,491			
11,449	9,839	8,662	7,843	7,347	7,101	7,325
600	1,205	934	440	302	656	
3,236	19,255	13,052	12,155	28,411		914
437,366	368,387	323,207	297,369	283,657	225,846	219,451
42,207	33,482	21,880	18,781	15,728	14,118	11,930
	1,040	2,989	3,481	2,520	2,107	
1,229	1,014	324	3,103	789	890	1,481
9,465	8,446	11,170	8,065	7,000	6,700	6,100
7,000	7,500	5,500	6,750	6,050	3,300	4,200
5,605	5,305	5,053	4,812	3,518		
65,506	56,787	46,916	44,992	35,605	27,115	23,711
35,000	44,473	28,653	29,631	26,676	72,758	
537,872	469,647	398,776	371,992	345,938	325,719	243,162
$ 64,459	$ 52,303	$ 87,905	$ 58,847	$ 79,324	$ 57,169	$ 62,908

GENOA-OCEOLA SEWER & WATER AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

CASH FLOWS FROM (USED-IN) OPERATING ACTIVITIES		
Operating income		$ (834,405)
Adjustments to reconcile operating income to net cash from (used in) operating activities		
Miscellaneous income	$ 76	
Depreciation	893,620	
Changes in assets and liabilities		
(Increase) in accounts receivable - sewer billings	(32,679)	
(Increase) in accounts receivable – MHOG SWATH	(33,773)	
Decrease due from member townships	195,000	
Increase in accounts payable	9,261	
Total adjustments		1,031,505
Net cash from operating activities		197,100
CASH FLOWS FROM (USED-IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Payment of principal on bonds	(195,000)	
Acquisition of property, plant and equipment	(17,365)	
Net cash (used in) capital and related financing activities		(212,365)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income		2,853
(Decrease) in cash		(12,412)
CASH AT OCTOBER 1, 2003		608,088
CASH AT SEPTEMBER 30, 2004		$ 595,676

The accompanying notes are an integral part of these financial statements

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