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	**Northwest Ottawa Water Treatment Plant**	**Ottawa**

Audit Date	Opinion Date	Date Accountant Report Submitted to State:
6/30/05	**10/5/05**	**11/28/05**

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.

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)			
Pridnia LaPres, PLLC			
Street Address	City	State	ZIP
3145 Henry Street, Ste. 200	**Muskegon**	**MI**	**49441**
Accountant Signature		Date	
Pridnia LaPres, PLLC		11-22-05	

Northwest Ottawa Water Treatment Plant

Contents

Transmittal Letter	3-5
Independent Auditors' Report	6
Management Discussion and Analysis	7-10
Financial Statements	
Statements of Net Assets	11
Statements of Revenue, Expenses, and Changes in Net Assets	12
Statements of Cash Flows	13-14
Notes to Financial Statements	15-24

November 1, 2005

Honorable Mayor and City Council
Northwest Ottawa Water System Administrative Committee

It is with great pleasure that we present the Northwest Ottawa Water System (NOWS) Financial Statements for the fiscal year ended June 30, 2005. This is the third report using the new reporting model as prescribed by the Governmental Accounting Standards Board (GASB) in their Statement No. 34.

NOWS is a joint venture of Northwest Ottawa area local units of government to provide water treatment services for their respective communities. As the City of Grand Haven, by contract, is the fiscal agent for NOWS, this report has been prepared by City Administration, particularly the Finance Office. City Administration holds full responsibility for the completeness and accuracy for all statements, schedules, notes and analysis herein. To provide a reasonable basis for making these representations, City Administration has maintained a system of internal controls to protect NOWS assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statement in conformity with generally accepted accounting principles. The cost of internal controls should not exceed the benefits received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Reporting Entity

NOWS was established March 1, 1988, through a joint venture agreement between the City of Grand Haven, the City of Ferrysburg, the Charter Township of Grand Haven and the Township of Spring Lake to provide regional water treatment services. The Village of Spring Lake joined NOWS on April 24, 1992. In 1986, the current water treatment plant was built and over the years has been upgraded and modified to its current capacity of 15.5 million gallons per day. It presently operates at an average capacity of 50% during the off-season and at 80% capacity during the summer. In 1991, the North Intake bed and pumping station was built. In 2005, the south intake bed was repaired after the initial 2002 project failed to operate properly. The City's Ranney Wells and Crows Foot Intake were dismantled in 2002, due to high maintenance and poor production. NOWS presently serves a population of approximately 45,000.

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

Grand Haven-Spring Lake Sewer Authority, a separate governmental entity providing wastewater treatment services, and,
Ottawa County Central Dispatch Authority, a component unit of Ottawa County, providing "911" emergency dispatch services.

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

Budgeting and Financial Planning

As part of the City's financial planning process, the NOWS Administrative Committee adopts an annual budget including a five year Capital Improvement Plan. These two documents address the Administrative Committee strategy to improve water treatment operations and maintain the water plant. The budget document provides the financial framework for planning and control, as well as defining the NOWS efforts for the future. The Capital Improvement Plan provides the Administrative Committee and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement the Administrative Committee vision.

The budget process begins in late fall with a goal-setting session. The Water Plant Manager, the Grand Haven City Director of Public Works, the City Finance Director and the City Manager, working as a Budget Committee draft the budget on a line item basis, considering capital and operational priorities separately and combining both into a preliminary budget document. The NOWS Administrative Committee adopts the budget, which is included in the overall City of Grand Haven budget document for ease of public review.

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

Economic Condition and Outlook

The current national and state economic conditions present employment challenges for displaced employees and the local economy as a whole, however certain industrial investment during the fiscal year provides some signs of improvement.

NOWS has noted a continuing increase in water treatment demand from its local municipal customers. The South Intake and the remodeled pump station were reconstructed under Ottawa County Public Utilities direction and efforts to utilize this intake began in February 2005. The South Intake was reconstructed in 2005 as the initial construction failed to perform effectively. Litigation is ongoing regarding the construction. NOWS anticipates the need for a fully functional system to match increased pumping capacity by a proposed expanded 23.25 million gallon treatment facility, which is scheduled to be completed in 2008. NOWS notes the continuing population increase in the townships and future economic and industrial growth will provide increasing demand for water in the future.

NOWS constructed a connection to the Grand Rapids water system, which was fully activated in the summer of 2004.

2004-05 Initiatives:

- South Intake and pumping station construction completion and operation
- Complete preliminary design and initiate the final design of the plant expansion
- Pumping Station upgrade completed, South Intake is still in process of repair
- Plant improvements including one high service pump repair, miscellaneous heating and cooling repairs, dehumidification repairs and roofing repairs

Future Initiatives:

- Place the South Intake system into service upon completion of repairs
- Inspect and evaluate the North Intake system
- Evaluate the necessity and repair of the existing Backwash Tank
- Begin expansion of the water treatment facility, including security enhancements
- Review and propose a remote site SCADA system for NOWS
- Inspect and repair low-service and high-service pumps as needed
- Inspect and repair roofing material as needed until plant expansion
- Make heating and cooling repairs as needed until plant expansion
- Make dehumidification repairs as needed until plant expansion

New Reporting Model Format

The format of the Financial Statements using GASB Statement 34

New Reporting Model Format

The format of the Financial Statements using GASB Statement 34 guidelines is significantly different from years prior to June 30, 2003. The objective of the new model is to increase accountability of NOWS by providing more useful information to a wider range of users. A few of the more significant changes include:

- New to the last three year's reports are both this transmittal letter and the "Management Discussion and Analysis" (MD&A). These documents provide a more in-depth review and discussion of NOWS's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many of the key financial topics are covered by the MD&A, which can be found immediately after the auditor's opinion letter.

- Continuing the appropriate accounting basis for enterprise funds, NOWS statements are presented on a full accrual basis of accounting. The full accrual method addresses overall operating results and the financial position of the NOWS as an economic entity, as is done in the private sector.

- An initiative during Fiscal Year 2002-03 to verify the value of all NOWS assets was not required under GASB 34, however, this updated list serves as a foundation for future reports.

- NOWS has only one operating fund, a proprietary fund.

Once readers understand how the new model works, the new format will most probably be preferred because of the additional information available. The NOWS report is significantly less complex than other municipal reports due to the single fund included in the report and the proprietary fund format.

Independent Audit

State statute and the various local unit charters require an annual financial audit by an independent certified public accountant. In May 2003, City Council selected the accounting firm of BDO Seidman, Certified Public Accountants, who provided auditing services for the first years of the engagement. In the summer of 2004, BDO Seidman sold its Muskegon office to former BDO partners. Pridnia LaPres, PLLC provides the same auditing staff originally provided by BDO Seidman and at the same cost.

Acknowledgments

The work of preparing the financial report has required the help and assistance of many people. The staff of the City of Grand Haven Finance and City Treasurer Departments in particular spent many hours working on this project. Susan LaPage, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work.

Sincerely,

Patrick McGinnis
City Manager
Chairman of the NOWS
Administrative Committee
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Independent Auditors' Report

To the Members of the Administrative Committee
Northwest Ottawa Water Treatment Plant
Grand Haven, Michigan

We have audited the accompanying financial statements of the Northwest Ottawa Water Treatment Plant as of June 30, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the Northwest Ottawa Water Treatment Plant's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Northwest Ottawa Water Treatment Plant as of June 30, 2004 were audited by other auditors whose report thereon, dated October 6, 2004, expressed an unqualified opinion on those statements.

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 Northwest Ottawa Water Treatment Plant as of June 30, 2005 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Pridnia LaPres, PLLC

October 5, 2005

Northwest Ottawa Water Treatment Plant
Management Discussion and Analysis
June 30, 2005

1) Financial Highlights

   a) The Northwest Ottawa Water System operates a Treatment Plant Fund ("NOWS") to account for costs of operation and maintenance of a water treatment facility serving the Northwest Ottawa communities of Grand Haven, Spring Lake, Ferrysburg and the townships of Grand Haven and Spring Lake. The NOWS Fund ended the fiscal year in better financial position than it started the year and ended the year within budget. Overall debt was lower due annual principal payments.
   b) Business-type activities net assets increased by $236,246 to $3,852,257.
   c) Total operating expenses for business-type activities increased by $269,666, totaling $1,705,626.

2) Overview of Financial Statements

   a) Overall financial picture.
      The financial statements provide one view of the NOWS financial position using the full accrual method of accounting. This method of accounting is similar to private sector for-profit accounting.
      i) Statement of Net Assets
         The *Statement of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, which is now called net assets. Over time, increases and decreases in nets assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.
      ii) Statement of Activities
         The *Statement of Activities* suggests the underlying causes of the change in net assets. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the *Statement of Net Assets*.

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

3) Financial Analysis

   a) Net Assets
      The Statement of Net Assets provides an overview of NOWS assets, liabilities and net assets. As mentioned above, over time, this can provide a good indicator of fiscal health. A comparative analysis between the current report year and the prior year is herein presented.

      On the next page is a summarized version of the Statement of Net Assets.

Net Assets

June 30,	2005	2004
Assets		
Current and other assets	$ 771,236	$ 425,654
Capital and restricted assets	7,814,656	8,530,042
Total Assets	**$ 8,585,892**	**$8,955,696**
Liabilities		
Long-term debt	$ 3,288,750	$ 4,182,500
Other liabilities	1,444,885	1,157,185
Total Liabilities	**$ 4,733,635**	**$ 5,339,685**
Net Assets		
Invested in capital assets, net of related debt	$ 3,852,257	$ 3,432,340
Unreserved	-	183,671
Total Net Assets	**$ 3,852,257**	**$ 3,616,011**

The total assets of NOWS are $8,585,892, however, $7,243,141 represents investment in capital assets including infrastructure. Total net assets increased by $236,246 in FY2005.

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

b) Changes in Net Assets

Changes in Net Assets

Year ended June 30,	2005	2004
Revenue		
Operating revenue – earned revenue	$ 1,094,811	$ 584,900
Operating Expenses		
Purchased water	414,776	-
Intake	202,218	228,116
Treatment	472,601	537,964
Administrative	242,854	296,751
Depreciation	373,177	373,129
Total Operating Expenses	**$ 1,705,626**	**$ 1,435,960**
Non-Operating Revenue (Expenses)		
Debt service charge	$ 920,218	$ 936,963
Capital replacement charge	85,602	65,370
Interest income on investments	14,130	6,878
Interest expense	(139,385)	(60,774)
Deferred charge on refunding	(41,250)	(41,250)
Other	7,746	12,620
Total Non-Operating Revenue	**$ 847,061**	**$ 919,807**
Changes in Net Assets	$ 236,246	$ 68,747
Net Assets, beginning of year	$ 3,616,011	$3,547,264
Net Assets, end of year	$ 3,852,257	$3,616,011

Business-type Activities – Highlights

The business-type activities had an increase in net assets of $236,246 from revenues of $2,122,507. The largest source of revenue was from earned revenue $1,094,811 or 51.58% of revenues for business–type activities.

4) Financial Analysis of Individual Funds

NOWS had revenues of $2,122,507, an increase of $515,776 from the prior fiscal year.

5) Capital Assets and Debt Administration

a) Capital assets
The NOWS has $7,243,141 invested in capital assets net of depreciation. Capital assets include all purchases of assets that exceed $1,000 and have an expected useful life greater than one year. Capital assets includes: land, land improvements, buildings, equipment, and utility systems such as water distribution lines. NOWS uses straight line depreciation for all depreciable assets. In FY2005, capital assets decreased by $371,699 in business-type activities.

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

6) Debt

a) Summary of debt
NOWS had $4,430,000 in debt outstanding as of June 30, 2005.

b) Note 5 of the footnotes provides more detailed information on debt and other obligations

7) Economic Forecast

NOWS has one main source of revenue, utility charges. Utility sales are affected by the economy and experience large swings of revenue from changes in weather conditions. Winter conditions produce less consumption. Increasing consumption is noted during the late spring, peaking in summer and declining in autumn. Additionally, NOWS is in the process of expanding intake systems for anticipated future consumer demand. For the FY2005-06 budget, the Administrative Committee anticipates that sales will be roughly equal to FY2004-05 volumes.

8) Contacting the NOWS Financial Management Staff

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

Patrick McGinnis
City Manager
616 847-4888
pmcginnis@grandhaven.org

James P. Bonamy, CMFA
Finance Director
616 935-3214
jbonamy@grandhaven.org

June 30,	**2005**	2004
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	**$ 356,141**	$ 39,654
Due from other governmental units	**365,007**	174,215
Inventories	**50,088**	35,833
Billing adjustment due from member governmental units (Note 6)	**-**	175,952
Total current assets	**771,236**	425,654
Long-Term Assets		
Capital assets – net (Note 3)	**7,243,141**	7,614,840
Restricted assets (Note 4)	**571,515**	915,202
Total Assets	**$8,585,892**	$8,955,696

Northwest Ottawa Water Treatment Plant

Statements of Net Assets

June 30,	**2005**	2004
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 165,309**	$ 80,589
Accrued and other liabilities	**100,107**	74,709
Due to other governmental units	**9,443**	18,904
Billing adjustment due to member units (Note 6)	**218,783**	-
Total current liabilities	**493,642**	174,202
Current Liabilities Payable from Restricted Assets (Note 4)	**951,243**	982,983
Long-Term Debt – Less current maturities (Note 5)	**3,288,750**	4,182,500
Total liabilities	**4,733,635**	5,339,685
Net Assets		
Invested in capital assets, net of related debt	**3,852,257**	3,432,340
Unreserved	**-**	183,671
Total Net Assets	**3,852,257**	3,616,011
Total Liabilities and Net Assets	**$8,585,892**	$8,955,696

See accompanying notes to financial statements.

Northwest Ottawa Water Treatment Plant

Statements of Revenue, Expenses, and Changes in Net Assets

Years ended June 30,	**2005**	2004
Operating Revenue – Earned revenue	**$ 1,094,811**	$ 584,900
Operating Expenses		
Purchased water	**414,776**	-
Intake	**202,218**	228,116
Treatment	**472,601**	537,964
Administrative	**242,854**	296,751
Depreciation	**373,177**	373,129
Total operating expenses	**1,705,626**	1,435,960
Operating Loss	**(610,815)**	(851,060)
Non-Operating Revenue (Expense)		
Debt service charge	**920,218**	936,963
Capital replacement charge	**85,602**	65,370
Interest income on investments	**14,130**	6,878
Interest expense	**(139,385)**	(60,774)
Deferred charge on refunding	**(41,250)**	(41,250)
Other	**7,746**	12,620
Total non-operating revenue	**847,061**	919,807
Changes in Net Assets	**236,246**	68,747
Net Assets – Beginning of year	**3,616,011**	3,547,264
Net Assets – End of year	**$ 3,852,257**	$ 3,616,011

See accompanying notes to financial statements.

Northwest Ottawa Water

Northwest Ottawa Water Treatment Plant

Statements of Cash Flows

Years ended June 30,	2005	2004
Cash Flows from Operating Activities		
Operating loss	$ (610,815)	$ (851,060)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities		
Depreciation	373,177	373,129
Changes in assets and liabilities		
Due from other governmental units	(190,792)	76,091
Inventory	(14,255)	(4,893)
Accounts payable	84,720	19,960
Accrued and other liabilities	25,398	21,005
Due to other governmental units	209,322	15,382
Billing adjustment due from member governmental units	175,952	137,691
Net Cash Provided by (Used for) Operating Activities	52,707	(212,695)
Cash Flows from Capital and Related Financing Activities		
Principal and interest paid on long-term debt	(1,106,125)	(1,083,291)
Proceeds from debt service charge	856,100	1,032,345
Proceeds from capital replacement charge	85,602	65,370
Purchase of capital assets	(1,478)	-
Proceeds from other revenue	7,746	12,620
Net Cash Provided by (Used for) Capital and Related Financing Activities	(158,155)	27,044
Cash flows from Investment Activities		
Interest received on investments	14,130	6,878
Net Decrease in Cash and Cash Equivalents	(91,318)	(178,773)
Cash and Cash Equivalents – Beginning of year	788,587	967,360
Cash and Cash Equivalents – End of year	$ 697,269	$ 788,587

See accompanying notes to financial statements.

Northwest Ottawa Water Treatment Plant

Statements of Cash Flows

Years ended June 30,	**2005**	2004
Statement of Net Assets		
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	**$356,141**	$ 39,654
Restricted assets (Note 4)	**341,128**	748,933
Total	**$697,269**	$ 788,587

See accompanying notes to financial statements.

1. Summary of Significant Accounting Policies

The Northwest Ottawa Water Treatment Plant (the "Plant") 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 Township of Grand Haven.

Under a contract executed in 1988, the City of Grand Haven (the "City") is operating and maintaining the Plant. Monthly operating expenses are billed by the City to the constituent municipalities for their proportionate share of those expenses.

Basis of Accounting

The accrual basis of accounting is used in preparing the financial statements.

Cash Equivalents

For purposes of the statement of cash flows, the Plant considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Inventories

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

Capital Assets

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

Water plant, lake intakes, water mains, furniture and equipment are depreciated using the straight-line method over the following useful lives:

Water plant	30
Lake intakes	10-50
Water mains	50
Structures and equipment	33
Office furniture	5

2. Deposits

Deposits

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

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Plant's deposits might not be recovered. The Plant does not have a deposit policy for custodial credit risk. At June 30, 2005, $597,269 of the Plant's bank balances of $697,269 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	$597,269

Investments

Interest Rate Risk

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

Custodial Credit Risk Related to Investments

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

Credit Risk

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

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

Concentration of Credit Risk

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

3. Capital Assets Capital assets consist of the following:

	Balance July 1, 2004	Additions	Disposals	**Balance June 30, 2005**
Capital assets not depreciated				
Land	$ 26,000	$ -	$ -	**$ 26,000**
Capital assets being depreciated				
Water plant	8,065,142	-	-	**8,065,142**
Lake intakes	4,923,007	-	42,870	**4,880,137**
Water mains	694,274	-	-	**694,274**
Structures and equipment	69,267	998	-	**70,265**
Office furniture	14,032	480	-	**14,512**
	13,765,722	1,478	42,870	**13,724,330**
Accumulated depreciation				
Water plant	4,465,794	257,228	-	**4,723,022**
Lake intakes	1,308,895	98,460	42,870	**1,364,485**
Water mains	387,120	13,886	-	**401,006**
Structures and equipment	7,711	2,099	-	**9,810**
Office furniture	7,362	1,504	-	**8,866**
	6,176,882	373,177	42,870	**6,507,189**
Net Capital Assets Being Depreciated	7,588,840	(371,699)	-	**7,217,141**
Net Capital Assets	$ 7,614,840	$(371,699)	$ -	**$ 7,243,141**

4. Restricted Assets

Restricted assets consist of the following:

June 30,	**2005**	2004
Cash and cash equivalents (capital improvements)	**$ 139,733**	$ 336,763
Cash and cash equivalents (for repayment of debt)	**201,395**	412,170
Due from other governmental units (for repayment of debt)	**230,387**	166,269
Total Restricted Assets	**571,515**	915,202
Less current liabilities payable from restricted assets		
Current portion of long-term debt	**(935,000)**	(965,000)
Accrued interest on long-term debt	**(16,243)**	(17,983)
Total Current Liabilities Payable from Restricted Assets	**(951,243)**	(982,983)
Net Restricted Assets	**$(379,728)**	$ (67,781)

5. Long-Term Debt

Outstanding Debt

Long-term debt consists of the following:

June 30,	**2005**	2004
Contract payable to Ottawa County for 2% to 3.2% water treatment facility bonds – 1992 (refinanced – 2002, Series A)	**$2,465,000**	$3,075,000
Contract payable to Ottawa County for 2% to 3.2% intake bonds – 1989 (refinanced – 2002 Series B)	**1,965,000**	2,320,000
Less deferred charge on refunding	**(206,250)**	(247,500)
Total	**4,223,750**	5,147,500
Less current maturities	**(935,000)**	(965,000)
	$3,288,750	$4,182,500

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2005, including both principal and interest, are as follows:

Years ending June 30,	Principal	Interest
2006	$ 935,000	$120,825
2007	905,000	100,255
2008	880,000	77,630
2009	865,000	52,990
2010	845,000	27,040
Total	$4,430,000	$378,740

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the years ended June 30, 2005 and 2004:

Years ended June 30, 2005 and 2004	
Long-term debt – July 1, 2003	$6,041,250
Debt retired	(935,000)
Amortization of deferred charge	41,250
Long-term debt – June 30, 2004	5,147,500
Debt retired	(965,000)
Amortization of deferred charge	41,250
Long-term debt – June 30, 2005	$4,223,750

Debt Charges

The Plant receives a debt charge from participating communities for contracts payable to Ottawa County based on the volume of water sold to those communities. The Plant and the participating communities have pledged their full faith and credit on the contracts payable to Ottawa County.

Defeased Debt

In prior years, the Plant defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. At June 30, 2005, $10,740,000 of bonds outstanding are considered defeased.

6. Billing Adjustment Due To (From) Governmental Units

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

Years ending June 30,	**2005**	2004
Payments to communities		
Amounts billed for fiscal year prior to June 30	**$ 1,313,594**	$ 408,948
Amounts contractually allowed to collect as adjusted for actual expenses	**(1,094,811)**	(584,900)
Total due to (from) member units	**$ 218,783**	$ (175,952)

7. Pension Plan

Plan Description

The Plant participates with the City of Grand Haven in the Michigan Municipal Employees' Retirement System (MMERS), a defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 1134 Municipal Way, Lansing, MI 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Plant's collective bargaining units. For the year ended June 30, 2005, required employee and employer contributions were suspended due to the overfunded status of the City's actuarial accrued liability.

Three-Year Trend Information

Funding information for the Plant's participation in the pension plan is as follows:

Years ending June 30,	2005	2004	2003
Annual pension cost (APC)	$ -	$ -	$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	$ -	$ -	$ -

8. Working Capital

In accordance with the master agreement with the member governmental units, the Board of Directors of the Plant has agreed to maintain 5/24ths of the operating expenses, excluding depreciation, for working capital. The Plant's working capital was deficient by $145,923 at June 30, 2004.

Excess working capital may be refunded to the member governmental units at the discretion of the Board. At June 30, 2005, $218,783 in excess working capital was due to be refunded to the units. There was no excess working capital refunded to the units during the year ended June 30, 2004.

9. Risk Management

The Plant is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. As an affiliate of the City of Grand Haven, the Plant is partially uninsured for health claims and has purchased commercial insurance for coverage related to claims in excess of certain stop-loss limits. The Plant also participates in the Michigan Municipal League risk pool for workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The City estimates the liability for health claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the City of Grand Haven's Health Benefits Internal Service Funds.