

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Grand Haven-Spring Lake Sewer Authority	County Ottawa
Fiscal Year End 06/30/2007	Opinion Date October 30, 2007	Date Audit Report Submitted to State November 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

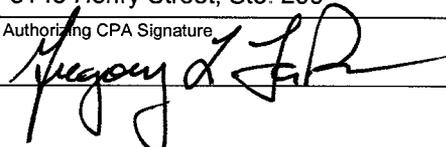
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A - None	
Other (Describe)	<input type="checkbox"/>	N/A - None	
Certified Public Accountant (Firm Name) Pridnia LaPres, PLLC		Telephone Number 231-739-9441	
Street Address 3145 Henry Street, Ste. 200		City Muskegon	State Zip MI 49441
Authorizing CPA Signature 	Printed Name Gregory L. LaPres, CPA		License Number 1101013632

Grand Haven-Spring Lake Sewer Authority



**Financial Statements
and Additional Information**
Years Ended June 30, 2007 and 2006

Grand Haven-Spring Lake Sewer Authority

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November 1, 2007

Honorable Mayor and City Council
Grand Haven-Spring Lake Sewer Authority Board

It is with great pleasure that we present the Grand Haven/Spring Lake Sewer Authority Annual Financial Report for the fiscal year ended June 30, 2007.

As the City of Grand Haven, by contract, is the fiscal agent for the Sewer Authority, this report has been prepared by the financial services staff of the City of Grand Haven with the assistance of the Wastewater Treatment Plant Superintendent. City Administration holds full responsibility for the completeness and accuracy of all statements, schedules, notes and analysis herein. To provide a reasonable basis for making these representations, City Administration has maintained a system of internal controls to protect Sewer Authority assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statements in conformity with generally accepted accounting principles. The cost of internal controls should not exceed the benefit received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Reporting Entity

The Sewer Authority was established in 1970 by agreement between the City of Grand Haven and the Village of Spring Lake to provide regional wastewater treatment. The City of Ferrysburg and the Township of Spring Lake joined the Authority in 1982 and the Charter Township of Grand Haven joined in 1986. In 1972, the current wastewater treatment plant was built and over the years has been upgraded and modified to its current capacity. The Authority serves a population over 20,000 and presently operates at an average capacity of 50%. Note that in past years, average operations were significantly higher, but, with significant efforts on the part of the local governmental members, infiltration of groundwater into the system has been significantly reduced, allowing greater available treatment capacity. The current lower levels of river and Lake Michigan water also serves to reduce groundwater infiltration.

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

- Northwest Ottawa Water Treatment Plant, a joint venture of Northwest Ottawa County local units of government, and
- Ottawa County Central Dispatch Authority, a component unit of Ottawa County

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

Budgeting and Financial Planning

As part of the City's financial planning process, the Sewer Authority Board adopts an annual budget including a five year Capital Improvement Plan. These two documents address the Authority's strategy to improve the operations and maintain the wastewater plant. The budget document is included within the City of Grand Haven annual budget to provide comprehensive public presentation and provides the financial framework for planning and control, as well as defining the Authority's role for the future. The Capital Improvement Plan provides the Board and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement the Board's vision.

The budget process normally begins in late fall with a goal-setting session. The Wastewater Superintendent, Grand Haven's City Manager and Finance Director draft the budget on a line item basis, considering capital and operational priorities separately and combining both into a preliminary budget document. The Sewer Authority Board adopts the Authority's budget.

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

Economic Condition and Outlook

The current state economic conditions present employment challenges for displaced employees and the local economy as a whole. Economic forecasts indicate a continuation of challenging conditions for 2007 and beyond. Keys to these forecasts are reductions in auto industry jobs and capital plans and a continuing retrenching in Michigan's manufacturing economy. Additionally, the State legislature's delay in establishing their 2008 budget caused economic concern.

The Sewer Authority notes a continuing slight decline in services provided to the local municipalities, especially evident in the continuing reduction of wastewater infiltration into local unit sewer collection lines. This is compounded by the lower water table and by reduced Lake Michigan water levels presently being experienced. Significantly, Eagle Ottawa Leather operations have ceased as has their contribution to the system. Further, Magna Donnelly has announced plans to cease Grand Haven operations as well, but their sewer use is fairly limited. However, the Sewer Authority notes a continuing population increase in the surrounding townships and a potential for economic and industrial growth, which leaves the current plant well within its capacity for future service expansion without a major near-term major capital initiative.

Fiscal Year 2006-07 Initiatives

- Treated 1.213 billion gallons of wastewater.
- Rebuilt No. 1 pump at Grand Haven pump station.
- Repaired concrete in a local pump station wet well.
- Repaired cracks in aeration tank.
- Replaced suction valves in a local pump station.
- Repaired concrete in primary splitter box.
- Replaced aeration tank hand rails with aluminum hand rails.
- Conducted cathodic protection survey on Grand Haven pump station force main.
- Rebuilt Local pump station No. 2 pump.
- Replaced No. 2 and No. 3 blower flanges and valves.

Reporting Model Format

The objective of the Financial Statements of the Grand Haven-Spring Lake Sewer Authority under GASB Statement 34 is to highlight the accountability of the Sewer Authority by providing useful information to a wide range of users. A few of the more significant reporting requirements include:

- This transmittal letter and the "Management Discussion and Analysis" (MD&A). These documents provide an in-depth review and discussion of the Sewer Authority's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many of the key financial topics are covered by the MD&A which can be found immediately after the auditor's opinion letter.
- Consistent with the appropriate accounting basis for enterprise funds, Sewer Authority statements are presented on a full accrual basis of accounting. The full accrual method addresses overall operating results and the financial position of the Sewer Authority as an economic entity, as is done in the private sector.
- The Sewer Authority has only one operating fund, a proprietary fund.

The Sewer Authority report is significantly less complex than other municipal reports due to the single fund included in the report and the proprietary fund format.

Independent Audit

State 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. Katrina Robinson, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work. Likewise, appreciation is offered to Wastewater Superintendent, John Stuparits for his assistance.

Sincerely,

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

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

Independent Auditors' Report

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

We have audited the financial statements of the Grand Haven-Spring Lake Sewer Authority as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Grand Haven-Spring Lake Sewer Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Grand Haven-Spring Lake Sewer Authority as of June 30, 2007 and 2006, and the results of its operations and its cash flows for the years 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 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 of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Pridnia Lapres, PLLC

October 30, 2007

Grand Haven-Spring Lake Sewer Authority
Management Discussion and Analysis
June 30, 2007

1) Financial Highlights

- a) The Grand Haven/Spring Lake Sewer Authority (the "Authority"), as a separate and distinct governmental authority, operates a wastewater treatment facility and certain collection lines for the Northwest Ottawa communities of the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, Grand Haven Charter Township and Spring Lake Township and ended the fiscal year in good financial position. Overall debt was lower due to annual bond payments.
- b) Business-type activities net assets decreased from \$6,798,095 to \$6,797,544.
- c) Total operating expenses for business-type activities totaled \$1,611,671, up from \$1,607,923 in the prior year.

2) Overview of Financial Statements

a) Overall financial picture

The financial statements provide the Authority's financial position using the full accrual method of accounting. This method of accounting is similar to private sector for-profit accounting.

i) Statements of Net Assets

The *Statements of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, which is called net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statements of Net Assets* is similar to a balance sheet in private sector accounting.

ii) Statements of Activities

The *Statements of Activities* suggests the underlying causes of the change in net assets. All changes in net assets are reported as the change occurs and include depreciation on the assets. This statement does not report any capital projects. Capital projects are reported on the *Statements of Net Assets*.

b) Notes to the Financial Statements

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

3) Financial Analysis

a) Net Assets

The *Statements of Net Assets* provides an overview of the Authority's assets, liabilities and net assets. As mentioned above, over time, this can provide a good indicator of the Authority's fiscal health. A comparative analysis has been presented.

On the next page is a summarized version of the *Statements of Net Assets*:

**Grand Haven-Spring Lake Sewer Authority
Management Discussion and Analysis
June 30, 2007**

Net Assets

<u>June 30,</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$550,587	\$ 482,518
Capital assets	6,665,555	6,825,644
Total assets	\$7,216,142	\$ 7,308,162
Long-term debt	\$170,000	\$ 250,000
Other liabilities	248,598	260,067
Total liabilities	\$418,598	\$ 510,067
Net assets		
Invested in capital assets, net of related debt	\$4,442,756	\$4,659,555
Restricted	1,971,007	1,841,089
Unrestricted	383,781	297,451
Total net assets	\$6,797,544	\$ 6,798,095

The total net assets of the Authority are \$6,797,544; however, \$4,442,756 represents net investment in capital assets including infrastructure. Of the more liquid assets, \$1,971,007 is restricted. The Authority has \$383,781 in unreserved net assets. Total net assets decreased by \$551 during the fiscal year.

b) Changes in Net Assets

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

Grand Haven-Spring Lake Sewer Authority
Management Discussion and Analysis
June 30, 2007

Years ended June 30,	Changes in Net Assets	
	2007	2006
Revenue		
Program revenues		
Sewage disposal services	\$1,437,669	\$ 1,368,776
Other	7,854	5,182
Total Operating Revenue	\$1,445,523	\$ 1,373,958
Expenses		
Plant operations and charges	\$918,275	\$ 933,677
Administrative	350,651	339,513
Depreciation	342,745	334,733
Total Operating Expenses	\$ 1,611,671	\$ 1,607,923
Non-Operating Revenue (Expense)		
Debt service charge	\$65,680	\$ 69,530
Contributions from customers	10,000	24,000
Interest income	102,747	80,455
Interest expense	(12,830)	(16,317)
Other non-operating expenses	-	(20,716)
Total Non-Operating Revenue	\$ 165,597	\$ 136,952
Change In Net Assets	(\$ 551)	(\$ 97,013)
Net Assets, beginning of year	\$ 6,798,095	\$ 6,895,108
Net Assets, end of year	\$ 6,797,544	\$ 6,798,095

4) Financial Analysis

The Authority had a net loss of \$551, an improvement of \$96,462 over the prior year. The increase consists of an \$71,565 increase in operating revenue, a \$3,748 increase in operating expenses and a \$28,645 increase in non-operating revenue. Overall fund expenditures were within budget.

Grand Haven-Spring Lake Sewer Authority
Management Discussion and Analysis
June 30, 2007

5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The Authority has \$4,694,548 invested in capital assets net of depreciation. Capital assets include all purchases of assets that exceed \$1,000 and have an expected useful life of greater than one year. Capital assets include: land, land improvements, buildings, equipment, and utility systems such as sewer lines. The Authority uses straight line depreciation for all depreciable assets. In FY2007, capital assets decreased by \$290,007, primarily depreciation.

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

6) Debt

The Authority had \$250,000 in debt outstanding as of June 30, 2007.

In Note 5 of the footnotes more detailed information on debt and other obligations can be found.

7) Economic Forecast

The Authority has one main source of revenue, wastewater treatment utility charges. Utility sales, while affected by the economy, experience large swings of revenue from changes in weather conditions. During wet spells, wastewater treatment sales increase due to groundwater infiltration into the collection system. The participating units continue to reduce infiltration as capital project funds allow, but these costs are not the responsibility of the Authority. The ongoing effort on the part of the local units, however, allows the treatment plant to operate at an average 50% of capacity.

For the FY2007-08 budget, Administration anticipates that sales will be roughly equal to FY2006-07 volumes.

8) Contacting the Authority's Financial Management Staff

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

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

James P. Bonamy
Finance Director
616 935-3214
jbony@grandhaven.org

<i>June 30,</i>	2007	2006
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 250,592	\$ 329,437
Due from other governmental units	295,341	146,173
Inventories	4,654	6,908
Total Current Assets	550,587	482,518
Long-Term Assets		
Capital assets (Note 3)	4,694,548	4,984,555
Restricted assets (Note 4)	1,971,007	1,841,089
Total Long-Term Assets	6,665,555	6,825,644
Total Assets	\$ 7,216,142	\$ 7,308,162

Grand Haven-Spring Lake Sewer Authority

Statements of Net Assets

<i>June 30,</i>	2007	2006
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt (Note 5)	\$ 80,000	\$ 75,000
Due to other governmental units	25,802	28
Accounts payable	32,099	71,792
Accrued and other liabilities	110,697	113,247
Total Current Liabilities	248,598	260,067
Long-Term Debt – less current maturities (Note 5)	170,000	250,000
Total Liabilities	418,598	510,067
Net Assets		
Invested in capital assets, net of related debt	4,442,756	4,659,555
Net Assets		
Reserved for restricted assets (Note 4)	1,971,007	1,841,089
Unreserved	383,781	297,451
Total Net Assets	6,797,544	6,798,095
Total Liabilities and Net Assets	\$ 7,216,142	\$ 7,308,162

See accompanying notes to financial statements.

Grand Haven-Spring Lake Sewer Authority

Statements of Revenue, Expenses, and Changes in Net Assets

<i>Years ended June 30,</i>	2007	2006
Operating Revenue		
Sewage disposal charges	\$ 1,437,669	\$ 1,368,776
Other	7,854	5,182
Total Operating Revenue	1,445,523	1,373,958
Operating Expenses		
Plant operations and charges	918,275	933,677
Administrative	350,651	339,513
Depreciation	342,745	334,733
Total Operating Expenses	1,611,671	1,607,923
Operating Loss	(166,148)	(233,965)
Non-Operating Revenue (Expense)		
Debt service charge	65,680	69,530
Contributions from customer	10,000	24,000
Interest income	102,747	80,455
Interest expense	(12,830)	(16,317)
Other non-operating expenses	-	(20,716)
Total Non-Operating Revenue	165,597	136,952
Decrease in Net Assets	(551)	(97,013)
Net Assets – Beginning of year	6,798,095	6,895,108
Net Assets – End of year	\$ 6,797,544	\$ 6,798,095

See accompanying notes to financial statements.

Grand Haven-Spring Lake Sewer Authority

Statements of Cash Flows

<i>Years ended June 30,</i>	2007	2006
Cash Flows from Operating Activities		
Operating loss	\$ (166,148)	\$ (233,965)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	342,745	334,733
Changes in assets and liabilities:		
Due from other governmental units	(147,985)	157,494
Inventories	2,254	(714)
Due to other governmental units	25,774	(16,904)
Accounts payable	(39,693)	(11,926)
Accrued and other liabilities	(2,550)	1,439
Net Cash Provided by Operating Activities	14,397	230,157
Cash Flows from Non-Capital and Related Financing Activities		
Contributions from constituent municipalities	10,000	24,000
Purchase of capital assets	(52,738)	(152,464)
Net Cash Used for Non-Capital and Related Financing Activities	(42,738)	(128,464)
Cash Flows from Capital and Related Financing Activities		
Principal and interest paid on long-term debt	(87,830)	(91,317)
Proceeds from debt service charge	65,680	69,530
Net Cash Used for Capital and Related Financing Activities	(22,150)	(21,787)
Cash Flows from Investing Activities		
Interest received on investments	102,747	80,455
Net Increase in Cash and Cash Equivalents	52,256	160,361
Cash and Cash Equivalents, Beginning of year	2,158,320	1,997,959
Cash and Cash Equivalents, End of year	\$ 2,210,576	\$ 2,158,320

See accompanying notes to financial statements.

Grand Haven-Spring Lake Sewer Authority

Statements of Cash Flows

<i>June 30,</i>	2007	2006
Statements of Net Assets		
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	\$ 250,592	\$ 329,437
Restricted assets (Note 4)	1,959,984	1,828,883
Total	\$ 2,210,576	\$ 2,158,320

See accompanying notes to financial statements.

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

The Grand Haven-Spring Lake Sewer Authority (the “Authority”) is incorporated under the terms of Act 233, Public Acts of Michigan of 1955 for the purpose of constructing, owning, and operating a sewage disposal system for its constituent municipalities: the City of Grand Haven, the Village of Spring Lake, the City of Ferrysburg, the Township of Spring Lake and the Township of Grand Haven. The accrual basis of accounting is used in preparing the financial statements.

Under a contract executed in 1974 and subsequently amended, the City of Grand Haven (the “City”) is operating and maintaining the plant. Monthly operating expenses are billed by the City to the constituent municipalities for their proportionate shares of those expenses. Sewage disposal revenue also includes charges of \$52,738 and \$152,464 for costs that have been capitalized at June 30, 2007 and 2006, respectively.

Cash Equivalents

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

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. 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.

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

Wastewater plant, wastewater mains and equipment are depreciated using the straight-line method over the following useful lives:

Wastewater treatment plant and pumping stations	10-40
Wastewater mains	40
Office, laboratory, and transportation equipment	5-40

2. Cash and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and 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 Authority's deposits might not be recovered. The Authority does not have a deposit policy for custodial credit risk. At June 30, 2007, \$1,810,476 of the Authority's bank balances of \$2,210,476 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	<u>\$1,810,476</u>
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Investments

Interest Rate Risk

The Authority 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.

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

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 Authority will not be able to recover the value of its investments that are in the possession of an outside party. The Authority was not exposed to custodial credit risk related to investments.

Credit Risk

State statutes authorize the Authority 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 authority had no investment policy that would further limit its investment choices.

Concentration of Credit Risk

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

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

3. Capital Assets Capital assets consist of the following:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Capital assets not depreciated				
Land	\$ 575,210	\$ -	\$ -	\$ 575,210
Capital assets being depreciated				
Wastewater treatment plant	8,982,461	24,081	-	9,006,542
Wastewater pumping stations	1,144,745	24,556	-	1,169,301
Wastewater mains	560,724	-	-	560,724
Office, laboratory and transportation equipment	195,569	4,101	-	199,670
	10,883,499	52,738	-	10,936,237
Accumulated depreciation				
Wastewater treatment plant	5,248,542	259,435	-	5,507,977
Wastewater pumping stations	719,256	49,434	-	768,690
Wastewater mains	444,428	14,018	-	458,446
Office, laboratory and transportation equipment	61,928	19,858	-	81,786
	6,474,154	342,745	-	6,816,899
Net Capital Assets Being Depreciated	4,409,345	(290,007)	-	4,119,338
Net Capital Assets	\$ 4,984,555	\$ (290,007)	\$ -	\$ 4,694,548

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

4. Restricted Assets

Restricted assets consist of the following:

<i>June 30,</i>	2007	2006
Cash and cash equivalents	\$ 1,959,984	\$ 1,828,883
Due from other governmental units	11,023	12,206
Total Restricted Assets	\$ 1,971,007	\$ 1,841,089

These assets are restricted for the following purposes:

<i>June 30,</i>	2007	2006
Debt service	\$ 141,099	\$ 151,391
Capital improvements	804,106	730,218
Eagle Ottawa Operating Agreement	1,025,802	959,480
Total	\$ 1,971,007	\$ 1,841,089

5. Long-Term Debt

Outstanding Debt

Long-term debt consists of the following:

<i>June 30,</i>	2007	2006
Contract payable to Ottawa County for 4.5% to 4.6% sewage treatment plant improvement bonds – 1998 Series A	\$ 250,000	\$ 325,000
Less current maturities	(80,000)	(75,000)
	\$ 170,000	\$ 250,000

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the years ended June 30, 2007 and 2006:

Years ended June 30, 2007 and 2006

Long-term debt – July 1, 2005	\$	379,284
Debt retired		(75,000)
Amortization of deferred charge		20,716
<hr/>		
Long-term debt – June 30, 2006		325,000
Debt retired		(75,000)
<hr/>		
Long-term debt – June 30, 2007	\$	250,000

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2007, including both principal and interest, are as follows:

<i>Year ended June 30,</i>	Principal	Interest
2008	\$ 80,000	\$ 9,580
2009	80,000	5,960
2010	90,000	2,070
<hr/>		
Total	\$ 250,000	\$ 17,610

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

Debt Charges

The Authority receives a debt charge from participating communities for the 1998 contract payable to Ottawa County based on volume of sewage treated for those communities. The Authority and the applicable participating communities have pledged their full faith and credit on the contracts payable to Ottawa County.

6. Pension Plan

Plan Description

The Authority 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, or by contacting the City of Grand Haven Finance Offices.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Authority's collective bargaining units. For the year ended June 30, 2007, the Authority's annual pension cost of \$1,842 for the plan was equal to the Authority's required contribution. The Authority's actual contribution to the plan was approximately \$23,400.

Grand Haven-Spring Lake Sewer Authority

Notes to Financial Statements

Three-Year Trend Information

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

<i>Years ended June 30,</i>	2007	2006	2005
Annual pension cost	\$ 1,842	\$ -	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

7. Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority participates in the Michigan Municipal League risk pool for workers' compensation and general liability insurance. The Authority has purchased commercial insurance for medical benefits. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Additional Information



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

We have audited the financial statements of the Grand Haven-Spring Lake Sewer Authority for the years ended June 30, 2007 and 2006. Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Grand Haven-Spring Lake Sewer Authority. This information has been subjected to the procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Rudnia Kates, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants

October 30, 2007

Grand Haven-Spring Lake Sewer Authority

Plant Operations and Charges

<i>Years ended June 30,</i>	2007	2006
Sludge removal	\$ 205,064	\$ 219,955
Wastewater treatment	176,398	163,489
Laboratory	173,889	170,448
Secondary treatment	112,582	121,887
Building and grounds	36,972	48,137
Pumping station		
Grand Haven	41,201	40,718
Spring Lake	51,721	55,456
Local	22,773	19,463
Wastewater primaries	13,142	8,258
Phosphate removal	52,410	46,278
Chlorination	8,707	12,115
Dechlorination	12,172	8,744
Grit and screening	5,607	4,787
Wastewater thickeners	5,311	13,091
Sludge storage	326	851
	\$ 918,275	\$ 933,677

Grand Haven-Spring Lake Sewer Authority

Analysis of Amount Available for Debt Retirement

<i>Years ended June 30,</i>	2007	2006
Change in Net Assets	\$ (551)	\$ (97,013)
Add		
Depreciation	342,745	334,733
Interest and paying agent fees expensed	12,830	16,317
Amortization of deferred charge on refunding	-	20,716
Deduct		
Payments from Eagle Ottawa for separation agreement from constituent municipalities and other contractual obligations	(10,000)	(24,000)
Amount Available for Bond and Interest Redemption	345,024	250,753
Requirements		
Principal	80,000	75,000
Interest and paying agent fees (cash basis)	9,580	13,068
Funds Used for Bond and Interest	89,580	88,068
Amount in Excess of Requirements	\$ 255,444	\$ 162,685