Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☐City ☐Twp ☐Village ☒Other	Grand Haven-Spring Lake Sewer Authority	Ottawa

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
06/30/2006	10/11/2006	11/27/06

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	☒	
The letter of Comments and Recommendations	☐	N/A - None
Other (Describe)	☐	N/A - None

Certified Public Accountant (Firm Name)	Telephone Number		
Pridnia LaPres, PLLC	231-739-9441		
Street Address	**City**	**State**	**Zip**
3145 Henry Street, Ste. 200	Muskegon	MI	49441
Authorizing CPA Signature	**Printed Name**	**License Number**	
Brent C. Yeager CPA	Brent C. Yeager, CPA	1101021594	

Grand Haven-Spring Lake Sewer Authority

Financial Statements and Additional Information

Years Ended June 30, 2006 and 2005

Grand Haven-Spring Lake Sewer Authority

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November 1, 2006

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, 2006.

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 of over 20,000 and presently operates at an average capacity of 50%.

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, the Grand Haven 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 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 2006 and beyond Keys to these forecasts are reductions in auto industry capital plans and an overall retrenching in Michigan's manufacturing economy

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 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 near-term major capital initiative.

Fiscal Year 2005-06 Initiatives

- Treated 1,224 million gallons of wastewater received from the Sewer Authority service area.
- Replaced control building boiler
- Replaced blower #1 with a smaller, more efficient unit.
- Replaced the variable speed drive at Grand Haven pump station.
- Rebuilt #1, 2, 3 return pumps
- Rebuilt #2 pump at the Spring Lake pump station.

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 four 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 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.

Once readers understand how the now-current reporting model works, the format will most probably be preferred because of the additional information available 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 Susan LaPage, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work.

Sincerely,

Patrick McGinnis
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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, 2006 and 2005, 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, 2006 and 2005, 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 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 11, 2006

Grand Haven-Spring Lake Sewer Authority
Management Discussion and Analysis
June 30, 2006

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 $6,895,108 to $6,798,095
   c) Total operating expenses for business-type activities totaled $1,607,923, up from $1,559,772 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) Statement of Net Assets
         The *Statement 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 *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 and include 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 the Authority.

3) Financial Analysis

   a) Net Assets
      The Statement 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 Statement of Net Assets:

Net Assets

June 30,	2006	2005
Current and other assets	$ 482,518	$ 540,281
Capital assets	6,825,644	6,946,569
Total assets	**$ 7,308,162**	**$ 7,486,850**
Long-term debt	$ 250,000	$ 304,284
Other liabilities	260,067	287,458
Total liabilities	**$ 510,067**	**$ 591,742**
Net assets		
Invested in capital assets, net of related debt	$4,659,555	$ 4,787,540
Restricted	1,841,089	1,779,745
Unrestricted	297,451	327,823
Total net assets	**$ 6,798,095**	**$ 6,895,108**

The total net assets of the Authority are $6,798,095, however, $4,659,555 represents net investment in capital assets including infrastructure. Of the more liquid assets, $1,841,089 is restricted. The Authority has $297,451 in unreserved net assets. Total net assets decreased by $97,013 in FY 2006

b) Changes in Net Assets

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

Changes in Net Assets

Years ended June 30,	2006	2005
Revenue		
Program revenues		
Sewage disposal services	$ 1,368,776	$ 1,281,676
Other	5,182	3,595
Total Operating Revenue	**$ 1,373,958**	**$ 1,285,271**
Expenses		
Plant operations and charges	$ 933,677	$ 893,799
Administrative	339,513	332,429
Depreciation	334,733	333,544
Total Operating Expenses	**$ 1,607,923**	**$ 1,559,772**
Non-Operating Revenue (Expense)		
Debt service charge	$ 69,530	$ 100,382
Contributions from customers	24,000	24,000
Interest income	80,455	32,499
Interest expense	(16,317)	(23,296)
Other non-operating expenses	(20,716)	(20,714)
Total Non-Operating Revenue	**$ 136,952**	**$ 112,871**
Change In Net Assets	($ 97,013)	($ 161,630)
Net Assets, beginning of year	**$ 6,895,108**	**$ 7,056,738**
Net Assets, end of year	**$ 6,798,095**	**$ 6,895,108**

4) Financial Analysis of the Authority

The Authority had a net loss of $97,013, an improvement of $64,617 from the prior year. The decrease consists of an $88,687 increase in operating revenue, a $48,151 increase in operating expenses and a $24,081 increase in non-operating revenue. Overall fund expenditures were within budget.

5) Capital Assets and Debt Administration

   a) Capital assets
      i) Summary of capital assets
         The Authority has $4,984,555 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 FY2006, capital assets decreased by $182,269

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

6) Debt

   The Authority had $325,000 in debt outstanding as of June 30, 2006.

   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, 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 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. For the FY2006-07 budget, Administration anticipates that sales will be roughly equal to FY2005-06 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, contact us at 519 Washington Avenue, Grand Haven, MI 49417, or call or e-mail us as noted below:

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James P. Bonamy
Finance Director
616 935-3214
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June 30,	**2006**	2005
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	**$ 329,437**	$ 235,897
Due from other governmental units	**146,173**	298,190
Inventories	**6,908**	6,194
Total Current Assets	**482,518**	540,281
Long-Term Assets		
Capital assets (Note 3)	**4,984,555**	5,166,824
Restricted assets (Note 4)	**1,841,089**	1,779,745
Total Long-Term Assets	**6,825,644**	6,946,569
Total Assets	**$ 7,308,162**	$ 7,486,850

Grand Haven-Spring Lake Sewer Authority

Statements of Net Assets

June 30,	**2006**	2005
Liabilities and Net Assets		
Current Liabilities		
Current maturities of long-term debt (Note 5)	**$ 75,000**	$ 75,000
Due to other governmental units	**28**	16,932
Accounts payable	**71,792**	83,718
Accrued and other liabilities	**113,247**	111,808
Total Current Liabilities	**260,067**	287,458
Long-Term Debt – less current maturities (Note 5)	**250,000**	304,284
Total Liabilities	**510,067**	591,742
Net Assets		
Invested in capital assets, net of related debt	**4,659,555**	4,787,540
Net Assets		
Reserved for restricted assets (Note 4)	**1,841,089**	1,779,745
Unreserved	**297,451**	327,823
Total Net Assets	**6,798,095**	6,895,108
Total Liabilities and Net Assets	**$ 7,308,162**	$ 7,486,850

See accompanying notes to financial statements

Grand Haven-Spring Lake Sewer Authority

Statements of Revenue, Expenses, and Changes in Net Assets

Years ended June 30,	**2006**	2005
Operating Revenue		
Sewage disposal charges	**$ 1,368,776**	$ 1,281,676
Other	**5,182**	3,595
Total Operating Revenue	**1,373,958**	1,285,271
Operating Expenses		
Plant operations and charges	**933,677**	893,799
Administrative	**339,513**	332,429
Depreciation	**334,733**	333,544
Total Operating Expenses	**1,607,923**	1,559,772
Operating Loss	**(233,965)**	(274,501)
Non-Operating Revenue (Expense)		
Debt service charge	**69,530**	100,382
Contributions from customer	**24,000**	24,000
Interest income	**80,455**	32,499
Interest expense	**(16,317)**	(23,296)
Other non-operating expenses	**(20,716)**	(20,714)
Total Non-Operating Revenue	**136,952**	112,871
Decrease in Net Assets	**(97,013)**	(161,630)
Net Assets – Beginning of year	**6,895,108**	7,056,738
Net Assets – End of year	**$ 6,798,095**	$ 6,895,108

See accompanying notes to financial statements

Grand Haven-Spring Lake Sewer Authority

Statements of Cash Flows

Years ended June 30,	**2006**	2005
Cash Flows from Operating Activities		
Operating loss	**$ (233,965)**	$ (274,501)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	**334,733**	333,544
Changes in assets and liabilities:		
Due from other governmental units	**157,494**	(29,983)
Inventory	**(714)**	117
Due to other governmental units	**(16,904)**	12,940
Accounts payable	**(11,926)**	11,459
Accrued and other liabilities	**1,439**	(11,094)
Net Cash Provided by Operating Activities	**230,157**	42,482
Cash Flows from Non-Capital and Related Financing Activities		
Contributions from constituent municipalities	**24,000**	24,000
Purchase of capital assets	**(152,464)**	(59,042)
Net Cash Used for Non-Capital and Related Financing Activities	**(128,464)**	(35,042)
Cash Flows from Capital and Related Financing Activities		
Principal and interest paid on long-term debt	**(91,317)**	(353,296)
Proceeds from debt service charge	**69,530**	100,382
Net Cash Used for Capital and Related Financing Activities	**(21,787)**	(252,914)
Cash Flows from Investing Activities		
Interest received on investments	**80,455**	32,499
Net Increase (Decrease) in Cash and Cash Equivalents	**160,361**	(212,975)
Cash and Cash Equivalents, Beginning of year	**1,997,959**	2,210,934
Cash and Cash Equivalents, End of year	**$ 2,158,320**	$ 1,997,959

See accompanying notes to financial statements

Grand Haven-Spring Lake Sewer Authority

Statements of Cash Flows

June 30,	**2006**	2005
Statements of Net Assets		
Classification of Cash and Cash Equivalents		
Cash and cash equivalents	**$ 329,437**	$ 235,897
Restricted assets (Note 4)	**1,828,883**	1,762,062
Total	**$ 2,158,320**	$ 1,997,959

See accompanying 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 $152,464 and $59,042 for costs that have been capitalized at June 30, 2006 and 2005, 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.

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, 2006, $1,958,220 of the Authority's bank balances of $2,158,220 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	$1,958,220

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

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

3. Capital Assets Capital assets consist of the following:

	Balance July 1, 2005	Additions	Disposals	**Balance June 30, 2006**
Capital assets not depreciated				
Land	$ 575,210	$ -	$ -	**$ 575,210**
Capital assets being depreciated				
Wastewater treatment plant	8,925,778	56,683	-	**8,982,461**
Wastewater pumping stations	1,137,342	7,403	-	**1,144,745**
Wastewater mains	560,724	-	-	**560,724**
Office, laboratory and transportation equipment	107,191	88,378	-	**195,569**
	10,731,035	152,464	-	**10,883,499**
Accumulated depreciation				
Wastewater treatment plant	4,988,286	260,256	-	**5,248,542**
Wastewater pumping stations	670,659	48,597	-	**719,256**
Wastewater mains	430,410	14,018	-	**444,428**
Office, laboratory and transportation equipment	50,066	11,862	-	**61,928**
	6,139,421	334,733	-	**6,474,154**
Net Capital Assets Being Depreciated	4,591,614	(182,269)	-	**4,409,345**
Net Capital Assets	$ 5,166,824	$(182,269)	$ -	**$ 4,984,555**

4. Restricted Assets

Restricted assets consist of the following:

June 30,	**2006**	2005
Cash and cash equivalents	**$ 1,828,883**	$ 1,762,062
Due from other governmental units	**12,206**	17,683
Total Restricted Assets	**$ 1,841,089**	$ 1,779,745

These assets are restricted for the following purposes:

June 30,	**2006**	2005
Debt service	**$ 151,391**	$ 174,429
Capital improvements	**730,218**	703,923
Eagle Ottawa Operating Agreement	**959,480**	901,393
Total	**$ 1,841,089**	$ 1,779,745

5. Long-Term Debt

Outstanding Debt

Long-term debt consists of the following:

June 30,	**2006**	2005
Contract payable to Ottawa County for 4 5% to 4 6% sewage treatment plant improvement bonds – 1998 Series A	**$ 325,000**	$ 400,000
Less deferred charge on refunding	**-**	(20,716)
	325,000	379,284
Less current maturities	**(75,000)**	(75,000)
	$ 250,000	$ 304,284

Changes in Long-Term Debt

The following is a summary of long-term debt transactions for the years ended June 30, 2006 and 2005:

Years ended June 30, 2006 and 2005	
Long-term debt – July 1, 2004	$ 688,570
Debt retired	(330,000)
Amortization of deferred charge	20,714
Long-term debt – June 30, 2005	379,284
Debt retired	(75,000)
Amortization of deferred charge	20,716
Long-term debt – June 30, 2006	$ 325,000

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2006, including both principal and interest, are as follows:

Year ended June 30,	Principal	Interest
2007	$ 75,000	$ 13,068
2008	80,000	9,580
2009	80,000	5,960
2010	90,000	2,070
Total	$ 325,000	$ 30,678

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, 2006, 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 Authority's participation in the pension plan is as follows:

Years ended June 30,	2006	2005	2004
Annual pension cost	$ -	$ -	$ -
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, 2006 and 2005 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.

Prudnia LaPres, PLLC

Certified Public Accountants

October 11, 2006

Grand Haven-Spring Lake Sewer Authority

Plant Operations and Charges

Years ended June 30,	**2006**	2005
Sludge removal	**$ 219,955**	$ 217,648
Wastewater treatment	**163,489**	173,755
Laboratory	**170,448**	182,323
Secondary treatment	**121,887**	115,717
Building and grounds	**48,137**	46,620
Pumping station		
Grand Haven	**40,718**	32,693
Spring Lake	**55,456**	52,220
Local	**19,463**	-
Wastewater primaries	**8,258**	9,722
Phosphate removal	**46,278**	38,845
Chlorination	**12,115**	8,626
Dechlorination	**8,744**	7,229
Grit and screening	**4,787**	4,818
Wastewater thickeners	**13,091**	1,727
Sludge storage	**851**	1,856
	$ 933,677	$ 893,799

Grand Haven-Spring Lake Sewer Authority

Analysis of Amount Available for Debt Retirement

Years ended June 30,	**2006**	2005
Change in Net Assets	**$ (97,013)**	$ (161,630)
Add		
Depreciation	**334,733**	333,544
Interest and paying agent fees expensed	**16,317**	23,296
Amortization of deferred charge on refunding	**20,716**	20,714
Deduct		
Payments from Eagle Ottawa for separation agreement from constituent municipalities and other contractual obligations	**(24,000)**	(24,000)
Amount Available for Bond and Interest Redemption	**250,753**	191,924
Requirements		
Principal	**75,000**	75,000
Interest and paying agent fees (cash basis)	**13,068**	16,405
Funds Used for Bond and Interest	**88,068**	91,405
Amount in Excess of Requirements	**$ 162,685**	$ 100,519