

**LOCH ALPINE SANITARY AUTHORITY
OF WEBSTER AND SCIO TOWNSHIPS**

Report on Audit of Financial Statements

For the Year Ended June 30, 2022

BOARD OF TRUSTEES

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AUTHORITY ATTORNEYS

Varnum, Riddering, Schmidt & Howlett LLP
Fink & Fink, PLLC

AUTHORITY AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

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John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

INDEPENDENT AUDITOR'S REPORT

December 9, 2022

Board of Trustees
Loch Alpine Sanitary Authority of
Webster and Scio Townships
827 North Zeeb Road
Ann Arbor, Michigan 48103

Honorable Board of Trustees:

We have audited the accompanying financial statements of the business-type activities of Loch Alpine Sanitary Authority of Webster and Scio Townships, Michigan, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities the Loch Alpine Sanitary Authority of Webster and Scio Townships, Michigan, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 7-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis
June 30, 2022

Within this section of the Loch Alpine Sanitary Authority of Webster and Scio Townships' financial report, the Authority's management provides a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. This narrative discusses and analyzes the activity within the context of the financial statements and disclosures which follow this section.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The first of these statements is the Statement of Net Position. This is the Authority-wide statement of net position presenting information that includes all the Authority's total assets and liabilities, with the difference reported as net position. An increasing or decreasing trend in net position can indicate whether the health of the Authority is improving or deteriorating. However, one must also consider non-financial factors when determining the health of any entity.

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

The Authority's financial reporting includes all the funds of the Authority (primary government) and, additionally, organizations for which the Authority is accountable (component units). Since the Authority's sole purpose is to operate and manage a water and sewer system, it maintains only one fund. Therefore, the Authority prepares no fund financial statements.

Notes to the financial statements

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

Financial Analysis of the Authority as a Whole

The Authority's net position at the end of the fiscal year was \$4,308,600. This is a \$215,588 increase over last year's net position of \$4,093,012.

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

Summary of Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>
Current and other assets	\$ 1,559,556	\$ 1,413,689
Capital assets, net	<u>5,675,685</u>	<u>5,844,506</u>
Total assets	<u>7,235,241</u>	<u>7,258,195</u>
Accounts payable and current liabilities	27,033	30,575
Long-term debt	<u>2,899,608</u>	<u>3,134,608</u>
Total liabilities	<u>2,926,641</u>	<u>3,165,183</u>
Net position:		
Invested in capital assets, net of related debt	2,776,077	2,709,898
Unrestricted	<u>1,532,523</u>	<u>1,383,114</u>
Total	<u>\$ 4,308,600</u>	<u>\$ 4,093,012</u>

Summary of Changes in Net Position

	<u>6/30/2022</u>	<u>6/30/2021</u>
Operating revenues	<u>\$ 781,659</u>	<u>\$ 775,964</u>
Operating expenses		
General	194,538	182,289
Sewer	158,382	126,979
Water	<u>154,142</u>	<u>148,709</u>
Total operating expenses	<u>507,062</u>	<u>457,977</u>
Operating income (loss)	<u>274,597</u>	<u>317,987</u>
Non-operating revenues (expenses)		
Investment earnings	840	734
Interest (expense)	(67,547)	(72,460)
Miscellaneous income	<u>1,798</u>	<u>690</u>
Total non-operating revenues (expenses)	<u>(64,909)</u>	<u>(71,036)</u>
Change in net position	215,588	246,951
Beginning net position	<u>4,093,012</u>	<u>3,846,061</u>
Ending net position	<u>\$ 4,308,600</u>	<u>\$ 4,093,012</u>

Revenues from operations had an increase of 1% from the prior fiscal year while operating expenses increased 11%. The Authority had a net operating income of \$274,597. There was an increase in connection fees received from the prior year; and also an increase in overall maintenance, supply costs and management costs related to operations.

Capital and Debt Administration

The Authority had no purchases or disposals of any capital assets during the year. The debt outstanding at the beginning of the year totaled \$3,134,608. The Authority repaid \$235,000 of principal on debt. Outstanding debt totaled \$2,899,608 as of June 30, 2022.

Economic Factors and Next Year's Goals

The Authority's financial outlook remains strong. The population in the service area is expected to remain fairly constant.

The Authority is still assessing the impacts of the pandemic. As a result, there will continue to be an increased focus on decreasing expenditures and tightening the budgets.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have further questions about this report or request for additional information, please contact the Authority at 827 North Zeeb Road, Ann Arbor, Michigan 48103.

BASIC FINANCIAL STATEMENTS

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**STATEMENT OF NET POSITION
JUNE 30, 2022**

CURRENT ASSETS		
Cash and cash equivalents	\$ 1,314,782	
Accounts receivable	231,521	
Prepaid expenses	<u>13,253</u>	
Total current assets		\$ 1,559,556
CAPITAL ASSETS		
Non-depreciable		
Land	23,500	
Depreciable		
Buildings	991,072	
Equipment	368,572	
Water and sewer system	<u>6,763,138</u>	
	8,146,282	
Less accumulated depreciation	<u>(2,470,597)</u>	
Capital assets, net		<u>5,675,685</u>
Total assets		7,235,241
CURRENT LIABILITIES		
Accounts payable	8,904	
Accrued interest	16,580	
Accrued wages	360	
Employee withholding	189	
Deposits	1,000	
Bonds payable - current portion	<u>250,000</u>	
Total liabilities		277,033
LONG-TERM LIABILITIES		
Bonds payable - less current portion		<u>2,649,608</u>
Total liabilities		<u>2,926,641</u>
NET POSITION		
Invested in capital assets, net of related debt	2,776,077	
Unrestricted	<u>1,532,523</u>	
Total net position		<u><u>\$ 4,308,600</u></u>

The notes are an integral part of the financial statements.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022**

OPERATING REVENUES		
Water and sewer billings		\$ 781,659
OPERATING EXPENSES		
GENERAL		
Salaries	\$ 1,710	
Payroll taxes	131	
Telephone	1,474	
Postage and freight	1,668	
Accounting/audit services	32,373	
Consulting fees	1,990	
Management Services	120,591	
Legal	775	
Insurance	16,185	
Utilities	1,506	
Repairs and maintenance	14,075	
Miscellaneous	<u>2,060</u>	
Total general		194,538
SEWER		
Supplies	36,645	
Consulting fees	5,457	
Utilities	12,766	
Repairs and maintenance	14,363	
Sludge removal	26,522	
Permits and testing	2,666	
Lab analysis	1,500	
Depreciation	<u>58,463</u>	
Total sewer		158,382
WATER		
Supplies	5,665	
Consulting fees	5,866	
Utilities	13,652	
Repairs and maintenance	16,757	
Permits and testing	1,340	
Miscellaneous	504	
Depreciation	<u>110,358</u>	
Total water		<u>154,142</u>
Total operating expenses		<u>507,062</u>
Operating income		274,597
NON-OPERATING REVENUES (EXPENSES)		
Interest income	840	
Debt retirement - interest	(67,547)	
Miscellaneous income	<u>1,798</u>	
Total non-operating revenues (expenses)		<u>(64,909)</u>
Change in net position before capital contributions		209,688
Tap-in fees		<u>5,900</u>
Changes in net position		215,588
NET POSITION, JULY 1, 2021		<u>4,093,012</u>
NET POSITION, JUNE 30, 2022		<u>\$ 4,308,600</u>

The notes are an integral part of the financial statements.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Receipts from customers	\$ 771,548	
Payments to vendors	(338,952)	
Payments to employees	<u>(1,322)</u>	
Net cash from operating activities		\$ 431,274
CASH FLOWS FROM (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES		
Repayment of bonds	(235,000)	
Interest expense	(67,547)	
Change in accrued interest	(1,228)	
Other income	<u>1,798</u>	
Net cash (used in) capital and related financing activities		(301,977)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Interest received from operating	840	
Connection fees	<u>5,900</u>	
Net cash from investing activities		6,740
Net increase in cash and cash equivalents		136,037
CASH AND CASH EQUIVALENTS AT JULY 1, 2021		<u>1,178,745</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2022		<u>\$ 1,314,782</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING		
Operating income		\$ 274,597
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense		168,821
Changes in assets and liabilities		
(Increase) decrease in receivables, net		(10,111)
(Increase) decrease in prepaid expenses		281
(Decrease) increase in accounts payable		(2,746)
(Decrease) increase in employee withholding		(68)
(Increase) decrease in deposits		<u>500</u>
Net cash provided by operating activities		<u>\$ 431,274</u>

The notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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

DESCRIPTION OF ENTITY - The Authority was formed by Webster and Scio Townships in May 1957 under Act No. 233 of the Public Acts of 1955. The purpose of the Authority is to acquire, own, extend, improve and operate a sewage disposal system and a water supply system.

A. SIGNIFICANT ACCOUNTING POLICIES

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

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

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and internal service funds are charges to customers for sales and services provided. Operating expenses for enterprise funds and internal service funds included the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expense.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

B. MEASUREMENT FOCUS

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

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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

C. CASH AND CASH EQUIVALENTS

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

D. CAPITAL ASSETS

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method based on the estimated useful lives of the related assets, which range from 5 to 50 years for equipment and 5 to 50 years for buildings, structures, and improvements.

E. CONSTRUCTION-IN-PROGRESS

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

F. CAPITALIZATION OF INTEREST

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

G. PREMIUM AND ISSUANCE COSTS

Bond discount, premium, and issuance costs are amortized over the term of the related bonds.

H. INCOME TAXES

As a government agency, the Authority is exempt from both federal and state income taxes.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 2 - MANAGEMENT'S ESTIMATES

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

NOTE 3 - BUDGETARY DATA

The Authority follows these procedures in establishing its budgetary data:

1. The Authority prepares the annual operating budget.
2. Public hearings are conducted to obtain Authority customers' comments.
3. The budget is legally adopted by approval of the members of the Authority's Board.
4. Rate increases must be approved by the members of the Authority's Board.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS

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

The investment policy adopted by the Board is in accordance with Act 196 PA 1997 has authorized investments in all of the investments mentioned in the preceding paragraph.

As of June 30, 2022, deposits consist of the following:

Deposits with financial institutions	<u>\$ 1,309,356</u>
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Cash and investments are presented in the financial statements in the following area:

Statement of Net Assets	
Cash and cash equivalents	<u>\$ 1,314,782</u>

The difference between the carrying amounts and the amounts mentioned above stem from cash on hand of \$100, outstanding checks, and deposits in transit.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Deposits - Custodial Credit Risk

This is the risk that in the event of a bank failure, the Authority will not be able to recover its deposits. The Authority does not have a deposit policy for custodial credit risk. The Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

As of June 30, 2022, deposits in banks totaled \$1,309,356 which was exposed to custodial credit risk as follows:

Insured by FDIC	\$ 793,451
Uninsured and uncollateralized	<u>515,905</u>
	<u>\$ 1,309,356</u>

NOTE 5 - STATEMENT OF CASH FLOWS

Pursuant to the Governmental Accounting Standards Board (GASB) statement number 9, a statement of cash flows is presented. The purpose of the statement of cash flows is to explain the change in cash and cash equivalents during the year. Cash equivalents are defined as short-term, highly liquid investments with original maturities of three months or less. The direct method was utilized to present cash flows from operations.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 6 - CAPITAL ASSETS

The following is a schedule of capital asset activity for the year ended June 30, 2022:

	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022
Non-depreciable capital assets				
Land	\$ 23,500	\$	\$	\$ 23,500
Depreciable capital assets				
Buildings	991,072			991,072
Machinery and equipment	368,572			368,572
Water and sewer infrastructure	6,763,138			6,763,138
Total depreciable capital assets	8,122,782			8,122,782
Accumulated depreciation				
Buildings	(562,307)	(14,896)		(577,203)
Machinery and equipment	(251,862)	(18,511)		(270,373)
Water and sewer infrastructure	(1,487,607)	(135,414)		(1,623,021)
Total accumulated depreciation	(2,301,776)	(168,821)		(2,470,597)
Capital assets, net	\$ 5,844,506	\$ (168,821)	\$	5,675,685
				(2,899,608)
				\$ 2,776,077

Depreciation expense is allocated to the following activities:

Sewage treatment	\$ 58,463
Water	110,358
Total Depreciation	\$ 168,821

Depreciation is computed using the straight line method. Useful lives of the proprietary assets are as follows:

Buildings	25 years
Machinery and equipment	5 - 10 years
Office equipment	5 - 10 years
Services - water & sewer	5 - 10 years
Systems	50 years

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 7 - LONG-TERM DEBT

1) State Revolving Fund Bonds # 5280-01

In September 2007, the Authority issued bonds payable with the Michigan Municipal Bond Authority (MMBA) for bonds up to \$2,200,000 to finance sewer improvement projects. Principal is payable in annual installments ranging from \$90,000 to \$120,000 starting in October 2008 and maturing in October 2027. Interest is paid semi-annually and charged at a rate of 1.625%. A quarterly debt service charge is being added to sewer users to meet this debt service.

2) Drinking Water Revolving Fund Bonds # 7402-01

In September 2015, the Authority issued Water Supply System Bonds to finance capital improvements to the water supply system, with a maximum loan amount of \$1,830,000. Total proceeds from the bond were \$1,799,590. The bonds bear interest at a rate of 2.50% due semi-annually. Principal is payable in annual installments ranging from \$70,000 and \$110,000 and matures in October 2035.

3) Drinking Water Revolving Fund Bonds # 7410-01

In September 2016, the Authority issued Water Supply System Bonds to finance additional capital improvements to the water supply system with a maximum loan amount of \$1,655,000. The loan has loan forgiveness from the State of Michigan totaling \$250,000. The bonds bear interest at a rate of 2.50%. Principal is payable in annual installments ranging from \$45,000 to \$120,000 and mature in October 2036.

The following is a schedule of changes in the long-term debt of the Authority:

	<u>Balance</u> <u>7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2022</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
<u>Bonds Payable</u>					
SRF Bond # 5280-01, Series 2007	\$ 815,311	\$	\$ 110,000	\$ 705,311	\$ 115,000
DWRF Bond # 7402-01, Series 2015	1,424,590		80,000	1,344,590	85,000
DWRF Bond # 7410-01, Series 2016	894,707		45,000	849,707	50,000
Total business-type long term debt	\$ 3,134,608	\$	\$ 235,000	\$ 2,899,608	\$ 250,000

The following is a schedule of future payment amounts due for all bonds:

<u>Year ending</u> <u>June 30,</u>	<u>Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 240,000	\$ 63,822	\$ 303,822
2024	250,000	58,703	308,703
2025	250,000	53,459	303,459
2026	260,000	48,113	308,113
2027-2031	985,311	165,882	1,151,193
2032-2036	844,590	62,730	907,320
2037	69,707	871	70,578
Total	\$ 2,899,608	\$ 453,580	\$ 3,353,188

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 8 - CONTINGENCIES

The Authority is involved in various legal actions arising in the normal course of business. In the opinion of management, such matters will not have a material effect upon the financial position of the Authority.

NOTE 9 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 10 - SEWER BILLINGS

The system currently has 536 users that are billed quarterly for water/sewer service. Users are billed a usage charge, a readiness to serve charge, and a sewer debt service charge to pay for bonds issued.

NOTE 11 - SEGMENT INFORMATION

Selected financial information is as follows:

Operating Revenue	\$ 781,659
Depreciation	168,821
Total Assets	7,235,241
Total Fund Equity	4,308,600
Net change in net position	215,588

NOTE 12 - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through December 9, 2022 which is the date the financial statements were available to be issued.

The COVID-19 pandemic continues to adversely affect the economy. The duration and impact of COVID-19 remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position, results of operations and cash flows of the Authority for future periods.

Management has determined that the Authority does not have any other material recognizable or unrecognizable events.

LOCH ALPINE SANITARY AUTHORITY OF WEBSTER AND SCIO TOWNSHIPS

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

NOTE 13 - RECENTLY IMPLEMENTED GASB PRONOUNCEMENTS

Effective July 1, 2022, the Authority adopted the Governmental Accounting Standards Board (GASB) No 87, *Leases*, which required leases with durations greater than twelve months to be recognized on the balance sheet. This Standard requires the recognition of lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows and outflows of resources based on the payment provision of the contract. The Standard requires a lessee to recognize a lease liability and right-to-use lease asset. There was no significant impact on the financial statements for the year ended June 30, 2022.