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# South Huron Valley Utility Authority

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**Financial Report  
with Supplemental Information  
December 31, 2020**

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## **Independent Auditor's Report**

To the Board of Commissioners  
South Huron Valley Utility Authority

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of South Huron Valley Utility Authority (the "Authority") as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise South Huron Valley Utility Authority's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility 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.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of South Huron Valley Utility Authority as of December 31, 2020 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Commissioners  
South Huron Valley Utility Authority

**Other Matter**

*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The budgetary comparison schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The budgetary comparison schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

*Plante & Moran, PLLC*

April 21, 2021

### Using This Annual Report

South Huron Valley Utility Authority (SHVUA or the "Authority") is a joint venture of the charter townships of Brownstown, Huron, and Van Buren; the cities of Flat Rock, Gibraltar, and Woodhaven, Michigan; and the Village of South Rockwood, Michigan. The Authority was founded in order to acquire and operate a sewage and wastewater treatment system, formerly operated by Wayne County, Michigan. The Authority began operations on March 1, 1999. The Authority subcontracts all operations of the system and has no employees. This annual report consists of a series of financial statements, notes, and supplemental information. The statement of net position and the statement of revenue, expenses, and changes in net position provide information about the financial activities of the Authority. This is followed by the statement of cash flows, which presents detailed information about the changes in the Authority's cash position during the year. The next section includes the notes to the financial statements, which disclose the Authority's significant accounting policies and additional information related to certain amounts included on the statement of net position. The final component of the annual report is the supplemental information, which is provided for the purpose of additional analysis.

### Financial Overview

In analyzing the Authority's net position, it is important to recognize the mission of the Authority. All debt of the Authority is backed by the full faith and credit of its seven member communities. From a financial perspective, the Authority's core objective is to manage the long-term costs of sewage disposal. In essence, the Authority acts as a conduit for all of its members. The amounts to be charged to its members will, by definition, be equal to the Authority's costs of providing sewage transportation and treatment. The key financial statistics for the Authority, therefore, relate to measurements of the ability to reduce total costs to its members (as opposed to the ability to accumulate financial resources).

### Condensed Financial Information

The following table presents condensed information about the Authority's net position as of December 31, 2020 and 2019:

	2019	2020
<b>Assets</b>		
Current and other assets:		
Cash and investments	\$ 3,215,339	\$ 2,165,076
Receivables	382,317	484,806
Other assets:		
Prepaid expenses and other assets	14,237	147,055
Restricted cash	-	29,304,982
Capital assets	93,193,027	92,054,625
Total assets	96,804,920	124,156,544
<b>Liabilities</b>		
Current liabilities	1,652,668	1,665,821
Noncurrent liabilities	9,835,886	37,969,121
Total liabilities	11,488,554	39,634,942
<b>Net Position</b>		
Net investment in capital assets	83,357,141	83,390,486
Unrestricted	1,959,225	1,131,116
Total net position	<b>\$ 85,316,366</b>	<b>\$ 84,521,602</b>

Total assets increased by \$27,351,624. This increase was largely the result of an increase in restricted cash due to bond proceeds received from a bond issuance for capital improvements in June 2020. Current assets also increased by \$28,490,026 as a result of this restricted cash and an increase in prepaid expenses.

# South Huron Valley Utility Authority

## Management's Discussion and Analysis (Continued)

Noncurrent liabilities increased by \$28,133,235 in the current year. The change related primarily to the issuance of the debt.

The following table presents condensed information about the Authority's revenue and expenses for the years ended December 31, 2020 and 2019:

	2019	2020
<b>Operating Revenue</b>		
Sewage billings	\$ 6,403,164	\$ 6,763,380
Permit, review fees, and other	35,603	94,451
Total operating revenue	6,438,767	6,857,831
<b>Operating Expenses</b>		
Contractual	2,578,975	2,661,459
Insurance expense	119,550	115,819
Permit and review fees	13,000	13,000
Miscellaneous expense	5,261	2,777
Land application fee	21,338	15,989
Maintenance and repair	2,375,439	2,426,776
Professional fees	438,110	467,333
Meter testing	233,700	284,988
Utilities	852,600	876,266
Total operating expenses	6,637,973	6,864,407
<b>Operating Loss</b>	(199,206)	(6,576)
<b>Nonoperating Expense</b>	(487,214)	(788,188)
<b>Change in Net Position</b>	(686,420)	(794,764)
<b>Net Position - Beginning of year</b>	86,002,786	85,316,366
<b>Net Position - End of year</b>	<u>\$ 85,316,366</u>	<u>\$ 84,521,602</u>

Operating revenue increased approximately 6.5 percent from 2019, which aligns with the 2020 budget.

Operating expenses were up 3.4 percent in comparison to 2019, as the Authority continues to be responsible for sludge removal.

### ***Budgetary Highlights***

The 2020 actual results in comparison to the amended budget were favorable. The Authority's amended 2020 budget called for an operating loss (net of capital purchases) of \$944,059. The Authority ended the 2020 calendar year with an operating loss (net of capital purchases) of \$631,988. Total revenue was very close to the original budget projections. The worldwide pandemic has not significantly impacted the Authority's operations, and the Authority is not anticipating a significant impact based on its current operating structure.

### ***Capital Assets and Debt Administration***

The 2010 Capital Improvement Bond was refunded in 2020 with the issuance of the 2020 capital improvement bonds. The net proceeds are being used to fund the Authority's capital improvement plan.

### ***Economic Factors and Next Year's Budgets and Rates***

Monthly operation and maintenance contributions by each community were only increased by 6 percent in 2020 and 8 percent in 2021. The increases are primarily due to the increased sludge storage removal costs.

## South Huron Valley Utility Authority

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### Management's Discussion and Analysis (Continued)

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#### ***Contacting the Authority's Management***

This financial report is intended to provide the Authority's members with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives from the member communities. If you have questions about this report or need additional information, we welcome you to contact the Authority's chairperson.

# South Huron Valley Utility Authority

## Statement of Net Position

December 31, 2020

### Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 2,165,076
Receivables:	
Accounts receivable	263,487
Due from other governmental units - Lookback	221,319
Prepaid expenses	<u>147,055</u>
Total current assets	2,796,937

Noncurrent assets:

Restricted assets (Note 1)	29,304,982
Capital assets:	
Assets not subject to depreciation (Note 3)	2,361,516
Assets subject to depreciation - Net (Note 3)	<u>89,693,109</u>
Total noncurrent assets	<u>121,359,607</u>
Total assets	124,156,544

### Liabilities

Current liabilities:

Accounts payable	1,208,794
Due to other governmental units	221,319
Accrued liabilities and other	<u>235,708</u>
Total current liabilities	1,665,821
Noncurrent liabilities - Long-term debt	<u>37,969,121</u>
Total liabilities	<u>39,634,942</u>

### Net Position

Net investment in capital assets	83,390,486
Unrestricted	<u>1,131,116</u>
Total net position	<u><u>\$ 84,521,602</u></u>



## South Huron Valley Utility Authority

### Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2020

<b>Operating Revenue</b>	
Sewage billings	\$ 6,763,380
Permit, review fees, and other	94,451
Total operating revenue	<u>6,857,831</u>
<b>Operating Expenses</b>	
Contractual - Operation	2,661,459
Insurance expense	115,819
Permit and review fees	13,000
Miscellaneous expense	2,777
Land application fee	15,989
Maintenance and repair fee	2,426,776
Professional fees	467,333
Meter testing	284,988
Utilities	876,266
Total operating expenses	<u>6,864,407</u>
<b>Operating Loss</b>	(6,576)
<b>Nonoperating Revenue (Expense)</b>	
Debt billings to member communities	2,769,198
Interest expense	(421,629)
Depreciation	(3,170,736)
Interest income	34,979
Total nonoperating expense	<u>(788,188)</u>
<b>Change in Net Position</b>	(794,764)
<b>Net Position - Beginning of year</b>	<u>85,316,366</u>
<b>Net Position - End of year</b>	<u><u>\$ 84,521,602</u></u>

# South Huron Valley Utility Authority

## Statement of Cash Flows

Year Ended December 31, 2020

### Cash Flows from Operating Activities

Cash received from communities	\$ 6,755,342
Cash payments to suppliers	<u>(7,160,711)</u>
Net cash and cash equivalents used in operating activities	(405,369)

### Cash Flows from Capital and Related Financing Activities

Issuance of bonds	26,605,000
Premium on bond issuance	5,196,683
Bond issuance expenses	(322,502)
Purchase of capital assets	(2,032,334)
Principal and interest paid on capital debt	(3,590,936)
Collection of debt billings to communities	<u>2,769,198</u>
Net cash and cash equivalents provided by capital and related financing activities	28,625,109

**Cash Flows Provided by Investing Activities** - Interest received on investments 34,979

**Net Increase in Cash and Cash Equivalents** 28,254,719

**Cash and Cash Equivalents** - Beginning of year 3,215,339

**Cash and Cash Equivalents** - End of year **\$ 31,470,058**

### Statement of Net Position Classification of Cash and Cash Equivalents

Cash	\$ 2,165,076
Restricted cash	<u>29,304,982</u>
Total cash and cash equivalents	<u><b>\$ 31,470,058</b></u>

### Reconciliation of Operating Loss to Net Cash from Operating Activities

Operating loss	\$ (6,576)
Adjustments to reconcile operating loss to net cash from operating activities -	
Changes in assets and liabilities:	
Receivables	(102,489)
Prepaid and other assets	(132,818)
Accounts payable	<u>(163,486)</u>
Total adjustments	<u>(398,793)</u>
Net cash and cash equivalents used in operating activities	<u><b>\$ (405,369)</b></u>

**Note 1 - Significant Accounting Policies**

The following is a summary of the significant accounting policies used by South Huron Valley Utility Authority (the "Authority"):

***Reporting Entity***

The Authority is governed by an appointed seven-member board. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

***Jointly Governed Organization***

The Authority is a joint venture of the charter townships of Brownstown, Huron, and Van Buren; the cities of Flatrock, Gibraltar, and Woodhaven, Michigan; and the Village of South Rockwood, Michigan. The Authority was founded in order to acquire and operate a sewage and wastewater treatment system formerly operated by Wayne County, Michigan. The Authority began operations on March 1, 1999. The City of Romulus, Michigan was originally a member of the Authority. In 2011, the City of Romulus, Michigan changed its status from a member of the Authority to a user of the system. The Authority subcontracts all operations of the system and has no employees.

The Internal Revenue Service has ruled that the Authority is a political subdivision of the State of Michigan and, as a result, is exempt from federal income tax.

***Accounting and Reporting Principles***

The Authority follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

***Report Presentation***

This report includes the fund-based statements of the Authority. In accordance with government accounting principles, a government-wide presentation with program and general revenue is not applicable to special purpose governments engaged only in business-type activities.

***Fund Accounting***

***Proprietary Funds***

The Authority accounts for its various activities in one proprietary fund, as it provides services to users in exchange for charges of fees.

***Basis of Accounting***

The accrual basis of accounting is used by the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board.

Proprietary funds use the economic resources measurement focus and full accrual basis of accounting. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

***Specific Balances and Transactions***

***Cash and Cash Equivalents***

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Note 1 - Significant Accounting Policies (Continued)**

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the financial statements.

**Restricted Assets**

Unspent bond proceeds are required to be set aside for construction of certain capital projects. These amounts have also been classified as restricted assets.

**Capital Assets**

Capital assets of \$78,248,476 were transferred by Wayne County, Michigan on March 1, 1999. Since the Authority had economic ownership of these assets, they were recorded at net book value. All other capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such assets is charged as a nonoperating expense of the Authority.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Buildings	60
Interceptors	50
Equalization basin	50
Sludge storage tank	20
Machinery and equipment	5-25
Sewer meters	10

**Long-term Obligations**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond issuance costs are expensed at the time they are incurred.

**Net Position Flow Assumption**

The Authority will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**Proprietary Funds Operating Classification**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue represents billings to member communities based on the Authority's cash-based operating expenses. Therefore, the Authority has shown depreciation expense as a nonoperating expense for the purpose of the statement of revenue, expenses, and changes in net position. Operating expenses include the cost of services and administrative fees. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**Note 1 - Significant Accounting Policies (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Note 2 - Deposits and Investments**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated one bank for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized the Authority to deposit and invest in all investments allowed by the state statutory authority, as listed above. The Authority's deposits and investment policies are in accordance with statutory authority.

Included in cash and cash equivalents are bank deposits in the amount of \$2,341,471 and certificates of deposit in the amount of \$432,939. The certificates of deposit have been designated by the board for operations and maintenance and capital improvement reserves.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below.

***Custodial Credit Risk of Bank Deposits***

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$2,274,410 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, 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.

***Credit Risk***

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of December 31, 2020, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 29,021,277	AAAm	Moody's

**Note 2 - Deposits and Investments (Continued)**

***Fair Value Measurements***

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset. As of December 31, 2020, the Authority does not hold any Level 1, 2, or 3 investments.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the table below.

***Investments in Entities that Calculate Net Asset Value per Share***

The Authority holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS investment pool	\$ 29,021,277	\$ -	N/A	None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

**December 31, 2020**

**Note 3 - Capital Assets**

Capital asset activity of the Authority's enterprise fund was as follows:

	Balance January 1, 2020	Additions	Balance December 31, 2020
Capital assets not being depreciated:			
Land	\$ 898,091	\$ -	\$ 898,091
Construction in progress	-	1,463,425	1,463,425
Subtotal	898,091	1,463,425	2,361,516
Capital assets being depreciated:			
Buildings	60,087,161	299,686	60,386,847
Machinery and equipment	13,624,681	148,159	13,772,840
Interceptors	48,551,721	-	48,551,721
Equalization basin	14,723,296	-	14,723,296
Sewer meters	1,528,542	121,064	1,649,606
Sludge storage tank (renovated)	2,330,045	-	2,330,045
Subtotal	140,845,446	568,909	141,414,355
Accumulated depreciation:			
Buildings	19,453,870	1,071,130	20,525,000
Machinery and equipment	3,640,817	655,801	4,296,618
Interceptors	19,310,844	996,408	20,307,252
Equalization basin	3,925,091	297,966	4,223,057
Sewer meters	1,366,674	32,930	1,399,604
Sludge storage tank (renovated)	853,214	116,501	969,715
Subtotal	48,550,510	3,170,736	51,721,246
Net capital assets being depreciated	92,294,936	(2,601,827)	89,693,109
Net capital assets	\$ 93,193,027	\$ (1,138,402)	\$ 92,054,625

December 31, 2020

**Note 4 - Long-term Debt**

Long-term debt activity for the year ended December 31, 2020 can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance
Bonds and contracts payable:					
Direct borrowings and direct placements:					
State Revolving Fund Bonds #5161-01, dated September 1998, maturing through 2020, in the amount of \$26,307,133. Principal payments are due annually on October 1	2.25%	\$ 1,612,133	\$ -	\$ (1,612,133)	\$ -
State Revolving Fund Bonds #5212-01, dated June 2004, maturing through 2026, in the amount of \$9,220,000. Principal payments are due annually on April 1	2.125%	3,685,000	-	(495,000)	3,190,000
State Revolving Fund Bonds #5386-01, dated February 2011, maturing through 2031, in the amount of \$3,120,000. Principal payments are due annually on April 1	2.5%	2,142,753	-	(155,000)	1,987,753
2016 General Obligation Limited Tax Sewage Disposal System Improvement Bonds, dated August 2016, maturing through 2026, in the amount of \$1,880,000. Principal payments are due annually on May 1	2.95%	1,316,000	-	(188,000)	1,128,000
Total direct borrowings and direct placements principal outstanding		8,755,886	-	(2,450,133)	6,305,753
Other debt:					
2010 General Obligation Limited Tax Sewer System Improvement Bonds, maturing through 2030, in the amount of \$1,600,000. Principal payments are due annually on May 1	5.30%	1,080,000	-	(1,080,000)	-
2020 General Obligation Limited Tax Sewer System Improvement Bonds, maturing through 2042, in the amount of \$26,605,000. Principal payments are due annually on May 1	3 - 6.75%	-	26,605,000	-	26,605,000
Total other debt principal outstanding		1,080,000	26,605,000	(1,080,000)	26,605,000
Unamortized bond premiums		-	5,196,683	(138,315)	5,058,368
Total of long-term debt outstanding		<u>\$ 9,835,886</u>	<u>\$ 31,801,683</u>	<u>\$ (3,668,448)</u>	<u>\$ 37,969,121</u>



**Note 4 - Long-term Debt (Continued)**

**Interest**

Total interest expense for the year ended December 31, 2020 was approximately \$237,442.

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2021	\$ 853,000	\$ 140,619	\$ 450,000	\$ 1,198,000	\$ 2,641,619
2022	868,000	120,172	460,000	1,184,350	2,632,522
2023	878,000	99,451	480,000	1,170,250	2,627,701
2024	893,000	78,456	500,000	1,153,050	2,624,506
2025	913,000	57,069	515,000	1,132,750	2,617,819
2026-2030	1,698,000	94,690	5,355,000	5,025,125	12,172,815
2031-2035	202,753	2,534	6,625,000	3,625,600	10,455,887
2036-2040	-	-	8,320,000	1,916,750	10,236,750
2041-2042	-	-	3,900,000	187,450	4,087,450
Total	<u>\$ 6,305,753</u>	<u>\$ 592,991</u>	<u>\$ 26,605,000</u>	<u>\$ 16,593,325</u>	<u>\$ 50,097,069</u>

**Debt Service Agreement**

The outstanding debt of the Authority will be funded through direct billings to the community members rather than through working capital; therefore, the Authority has classified all outstanding debt as long term.

**Current Bond Refunding**

During the year, the Authority issued \$26,605,000 in general obligation limited tax bonds with an average interest rate of 4.69 percent. The net proceeds of these bonds (after payment of \$249,338 in underwriting fees, insurance, and other issuance costs) were used to immediately refund \$1.01 million of outstanding 2010 general obligation limited tax bonds with an average interest rate of 5.25 percent. As a result, the liability for the bonds has been removed from long-term debt. The refunding reduced total debt service payments over the next 10 years by approximately \$244,271, which represents an economic gain of approximately \$227,414.

**Note 5 - Risk Management**

The Authority is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Authority has purchased commercial insurance for possible claims related to these risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The Authority has no employees and, therefore, does not have exposure to risks related to employee injuries or medical expenses.

**Note 6 - Contingent Liabilities**

As of the report date, the Authority's previous operator has filed a legal claim for breach of contract for approximately \$780,000. The Authority has filed a counter claim in this matter.

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## Other Supplemental Information

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# South Huron Valley Utility Authority

## Other Supplemental Information Statement of Revenue and Expenses – Budget and Actual

Year Ended December 31, 2020

	Original Budget	Amended Budget	Audited	Difference Favorable (Unfavorable)
<b>Revenue</b>				
Revenue from communities:				
Plant and related costs	\$ 6,364,185	\$ 6,364,176	\$ 6,364,176	\$ -
Trenton arm pump station	144,216	144,204	144,204	-
Odette pump station	15,000	15,000	15,000	-
Interceptor/Manhole repair billings	240,000	240,000	240,000	-
Permit fees	26,000	27,164	27,164	-
IPP surcharge fees	15,000	6,000	10,132	4,132
Interest	8,000	9,218	9,609	391
Miscellaneous	-	90,417	57,154	(33,263)
Total revenue	6,812,401	6,896,179	6,867,439	(28,740)
<b>Expenses</b>				
Operator O & M Services	2,645,003	2,645,003	2,645,003	-
CDM flow metering O & M	258,739	300,000	284,988	15,012
Maintenance and repair	800,000	444,939	308,542	136,397
Utilities	800,000	881,685	876,266	5,419
Manhole repair	180,000	120,000	-	120,000
Interceptor cleaning	180,000	120,000	116,523	3,477
Chemicals	391,669	350,000	337,950	12,050
Solids Disposal	1,275,000	1,729,715	1,663,761	65,954
Insurance	125,000	115,819	115,819	-
Misc. contractual	100,000	20,000	16,456	3,544
Financial administration	20,000	20,000	20,000	-
Professional fees	375,000	490,000	447,333	42,667
Land application fee	22,000	15,989	15,989	-
NPDES permit fees	15,000	13,000	13,000	-
Capital improvements	250,000	571,022	635,019	(63,997)
Misc. expense	5,000	3,066	2,780	287
Total expenses	7,442,411	7,840,238	7,499,428	340,809
<b>Net Loss</b>	<b>\$ (630,010)</b>	<b>\$ (944,059)</b>	<b>\$ (631,988)</b>	<b>\$ 312,070</b>

Year Ended December 31, 2020

#### **Note - Budget and Actual Basis of Accounting**

The statement of revenue and expenses - budget and actual is prepared on the accounting method utilized when preparing the budget. This method differs from the full accrual basis of accounting in that it is prepared on a cash flow basis including operational revenue and expenses and excluding capital contributions, capital grants, and debt payments.

Since the Authority operates as a proprietary fund, a budget is not required by the Uniform Budgeting and Accounting Act. The Authority has presented this information for the purpose of additional management analysis only, and the unfavorable budget variances do not represent violations of state law.