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# South Huron Valley Utility Authority

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**Financial Report  
with Supplemental Information  
December 31, 2022**

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## **Independent Auditor's Report**

To the Board of Commissioners  
South Huron Valley Utility Authority

### ***Opinion***

We have audited the financial statements of South Huron Valley Utility Authority (the "Authority") as of and for the year ended December 31, 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 present fairly, in all material respects, the financial position of South Huron Valley Utility Authority as of December 31, 2022 and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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 opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities 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 opinion. 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.

To the Board of Commissioners  
South Huron Valley Utility Authority

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 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 is the responsibility of management and, 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***

Management is responsible for the other information included in the annual financial report. The other information comprises the budgetary comparison schedule but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Plante & Moran, PLLC*

April 19, 2023

### 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, 2022 and 2021:

	2021	2022
<b>Assets</b>		
Current and other assets:		
Cash and investments	\$ 2,530,876	\$ 3,274,642
Receivables	319,072	242,577
Other assets:		
Prepaid expenses and other assets	154,278	-
Restricted cash	23,959,612	9,760,563
Capital assets	96,637,284	107,930,591
Total assets	<u>123,601,122</u>	<u>121,208,373</u>
<b>Liabilities</b>		
Current liabilities	1,490,152	884,398
Noncurrent liabilities	38,692,349	36,802,691
Total liabilities	<u>40,182,501</u>	<u>37,687,089</u>
<b>Net Position</b>		
Net investment in capital assets	81,904,547	80,888,463
Unrestricted	1,514,074	2,632,821
Total net position	<u>\$ 83,418,621</u>	<u>\$ 83,521,284</u>

Total assets decreased by \$2,392,749. This decrease was largely the result of depreciation of capital assets, as well as payment on prior year payables related to the construction on the Wastewater Treatment Plant. Restricted cash decreased as a result of the use of the 2020 bond issue proceeds for the construction improvements on the Wastewater Treatment Plant.

# South Huron Valley Utility Authority

## Management's Discussion and Analysis (Continued)

Noncurrent liabilities decreased by \$1,889,658 in the current year. The change related primarily to the relief of fiscal year 2021 payables for acquisition of capital assets that were released from restricted cash and, therefore, were classified as long term.

The following table presents condensed information about the Authority's revenue and expenses for the years ended December 31, 2022 and 2021:

	2021	2022
<b>Operating Revenue</b>		
Sewage billings	\$ 7,272,528	\$ 7,684,932
Permit, review fees, and other	102,574	455,329
Total operating revenue	7,375,102	8,140,261
<b>Operating Expenses</b>		
Contractual	2,739,728	2,827,916
Insurance expense	125,245	131,221
Permit and review fees	13,000	13,000
Miscellaneous expense	106,999	4,268
Land application fee	25,622	18,450
Maintenance and repair	2,428,853	2,044,779
Professional fees	387,811	383,848
Meter testing	219,725	315,997
Utilities	805,997	872,688
Total operating expenses	6,852,980	6,612,167
<b>Operating Income</b>	522,122	1,528,094
<b>Nonoperating Expense</b>	(1,625,103)	(1,425,431)
<b>Change in Net Position</b>	(1,102,981)	102,663
<b>Net Position - Beginning of year</b>	84,521,602	83,418,621
<b>Net Position - End of year</b>	<u>\$ 83,418,621</u>	<u>\$ 83,521,284</u>

Operating revenue increased by approximately 10.4 percent from 2021, which aligns with the 2022 budget.

Operating expenses were in line with 2021 expenses, as the Authority continues to be responsible for sludge removal.

### ***Budgetary Highlights***

The 2022 actual results in comparison to the amended budget were favorable. The Authority's amended 2022 budget called for an operating income (net of capital purchases) of \$569,513. The Authority ended the 2022 calendar year with an operating income (net of capital purchases) of \$1,111,258. 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 and were utilized for capital projects in 2022.

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

Monthly operation and maintenance contributions by each community were only increased by 6 percent in 2022 and 8 percent in 2023. 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, 2022

### Assets

Current assets:

Cash and cash equivalents (Note 2)	\$ 3,274,642
Receivables:	
Accounts receivable	32,308
Due from other governmental units - Lookback	210,269

Total current assets 3,517,219

Noncurrent assets:

Restricted assets (Note 1)	9,760,563
Capital assets:	
Assets not subject to depreciation (Note 3)	23,974,829
Assets subject to depreciation - Net (Note 3)	83,955,762

Total noncurrent assets 117,691,154

Total assets 121,208,373

### Liabilities

Current liabilities:

Accounts payable	452,270
Due to other governmental units	210,269
Accrued liabilities and other	221,859

Total current liabilities 884,398

Noncurrent liabilities:

Capital acquired payable from restricted assets:	
Retainage payable	1,248,933
Accounts payable - Construction contracts	689,859
Long-term debt (Note 4)	34,863,899

Total noncurrent liabilities 36,802,691

Total liabilities 37,687,089

### Net Position

Net investment in capital assets	80,888,463
Unrestricted	2,632,821

Total net position \$ 83,521,284



## South Huron Valley Utility Authority

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

Year Ended December 31, 2022

<b>Operating Revenue</b>	
Sewage billings	\$ 7,684,932
Permit, review fees, and other	455,329
Total operating revenue	<u>8,140,261</u>
<b>Operating Expenses</b>	
Contractual - Operation	2,827,916
Insurance expense	131,221
Permit and review fees	13,000
Miscellaneous expense	4,268
Land application fee	18,450
Maintenance and repair fee	2,044,779
Professional fees	383,848
Meter testing	315,997
Utilities	872,688
Total operating expenses	<u>6,612,167</u>
<b>Operating Income</b>	1,528,094
<b>Nonoperating Revenue (Expense)</b>	
Debt billings to member communities	2,633,022
Interest expense	(1,060,420)
Depreciation	(3,209,889)
Interest income	211,856
Total nonoperating expense	<u>(1,425,431)</u>
<b>Change in Net Position</b>	102,663
<b>Net Position - Beginning of year</b>	<u>83,418,621</u>
<b>Net Position - End of year</b>	<u><u>\$ 83,521,284</u></u>

# South Huron Valley Utility Authority

## Statement of Cash Flows

Year Ended December 31, 2022

<b>Cash Flows from Operating Activities</b>	
Cash received from communities	\$ 8,216,756
Cash payments to suppliers	<u>(7,056,651)</u>
Net cash and cash equivalents provided by operating activities	1,160,105
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchase of capital assets	(14,827,743)
Principal and interest paid on capital debt	(2,632,523)
Collection of debt billings to communities	<u>2,633,022</u>
Net cash and cash equivalents used in capital and related financing activities	(14,827,244)
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	<u>211,856</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(13,455,283)
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>26,490,488</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 13,035,205</b></u>
<b>Statement of Net Position Classification of Cash and Cash Equivalents</b>	
Cash	\$ 3,274,642
Restricted cash	<u>9,760,563</u>
Total cash and cash equivalents	<u><b>\$ 13,035,205</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 1,528,094
Adjustments to reconcile operating income to net cash from operating activities -	
Changes in assets and liabilities:	
Receivables	76,495
Prepaid and other assets	154,278
Accounts payable	<u>(598,762)</u>
Total adjustments	<u>(367,989)</u>
Net cash and cash equivalents provided by operating activities	<u><b>\$ 1,160,105</b></u>
<b>Significant Noncash Transactions</b> - Noncash activities related to construction	\$ 1,938,792

**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 \$3,747,553 and certificates of deposit in the amount of \$117,868. 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 bank deposits of \$3,365,421 (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, 2022, 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	\$ 9,654,437	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 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, 2022, 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, 2022, 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	\$ 9,654,437	\$ -	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, 2022

**Note 3 - Capital Assets**

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

	Balance January 1, 2022	Additions	Balance December 31, 2022
Capital assets not being depreciated:			
Land	\$ 898,091	\$ -	\$ 898,091
Construction in progress	8,997,652	14,079,086	23,076,738
Subtotal	9,895,743	14,079,086	23,974,829
Capital assets being depreciated:			
Buildings	60,386,847	202,466	60,589,313
Machinery and equipment	14,010,593	221,644	14,232,237
Interceptors	48,551,721	-	48,551,721
Equalization basin	14,723,296	-	14,723,296
Sewer meters	1,649,605	-	1,649,605
Sludge storage tank (renovated)	2,330,045	-	2,330,045
Subtotal	141,652,107	424,110	142,076,217
Accumulated depreciation:			
Buildings	21,602,011	1,077,011	22,679,022
Machinery and equipment	4,962,159	686,110	5,648,269
Interceptors	21,303,660	996,408	22,300,068
Equalization basin	4,521,023	297,966	4,818,989
Sewer meters	1,435,496	35,892	1,471,388
Sludge storage tank (renovated)	1,086,217	116,502	1,202,719
Subtotal	54,910,566	3,209,889	58,120,455
Net capital assets being depreciated	86,741,541	(2,785,779)	83,955,762
Net capital assets	<u>\$ 96,637,284</u>	<u>\$ 11,293,307</u>	<u>\$ 107,930,591</u>

**Construction Commitments**

At year end, the Authority had construction costs to date for the Wastewater Treatment Plant project of \$23,076,738, with remaining commitments for approximately \$7,590,828.

December 31, 2022

**Note 4 - Long-term Debt**

Long-term debt activity for the year ended December 31, 2022 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 #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%	\$ 2,685,000	\$ -	\$ (515,000)	\$ 2,170,000
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%	1,827,753	-	(165,000)	1,662,753
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%	940,000	-	(188,000)	752,000
Total direct borrowings and direct placements principal outstanding		5,452,753	-	(868,000)	4,584,753
Other debt -					
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		26,155,000	-	(460,000)	25,695,000
Unamortized bond premiums		4,821,257	-	(237,111)	4,584,146
Total of long-term debt outstanding		<u>\$ 36,429,010</u>	<u>\$ -</u>	<u>\$ (1,565,111)</u>	<u>\$ 34,863,899</u>

**Interest**

Total interest expense for the year ended December 31, 2022 was approximately \$1,060,000.



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

***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	
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	928,000	35,291	540,000	1,108,950	2,612,241
2027	185,000	22,006	1,110,000	1,067,700	2,384,706
2028-2032	787,753	39,927	6,195,000	4,459,275	11,481,955
2033-2037	-	-	7,235,000	3,012,400	10,247,400
2038-2042	-	-	9,120,000	1,106,600	10,226,600
Total	<u>\$ 4,584,753</u>	<u>\$ 332,200</u>	<u>\$ 25,695,000</u>	<u>\$ 14,210,975</u>	<u>\$ 44,822,928</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.

**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.

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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, 2022

	Original Budget	Amended Budget	Audited	Difference Favorable (Unfavorable)
<b>Revenue</b>				
Revenue from communities:				
Plant and related costs	7,285,711	7,285,716	7,285,716	\$ -
Trenton arm pump station	144,216	144,216	144,216	-
Odette pump station	15,000	15,000	15,000	-
Interceptor/Manhole repair billings	240,000	240,000	240,000	-
Permit fees	27,000	27,164	27,164	-
IPP surcharge fees	10,000	15,000	33,452	18,452
Interest	8,000	6,580	7,273	693
Miscellaneous	-	529,774	394,713	(135,061)
Lystek Sales Revenue Share	-	3,400	-	(3,400)
<b>Total revenue</b>	<b>7,729,927</b>	<b>8,266,850</b>	<b>8,147,534</b>	<b>(119,316)</b>
<b>Expenses</b>				
Operator O & M Services	2,814,256	2,814,256	2,814,256	-
CDM flow metering O & M	270,874	314,297	315,997	(1,700)
Maintenance and repair	950,000	540,883	114,575	426,308
Utilities	850,000	865,230	872,688	(7,458)
Manhole Repair	167,000	35,000	-	35,000
Interceptor cleaning	160,100	-	9,666	(9,666)
Chemicals	691,554	875,000	808,928	66,072
Solids disposal	400,000	1,250,000	1,111,610	138,390
Insurance	130,000	131,221	131,221	-
Misc. Contractual	100,000	20,000	13,660	6,340
Financial administration	20,000	20,000	20,000	-
Professional fees	400,000	358,230	363,848	(5,618)
Land application fee	26,000	18,450	18,450	-
NPDES permit fees	15,000	13,000	13,000	-
Capital improvements	250,000	436,770	424,109	12,661
Misc. expense	5,000	5,000	4,268	732
<b>Total expenses</b>	<b>7,249,784</b>	<b>7,697,337</b>	<b>7,036,276</b>	<b>661,061</b>
<b>Net Income</b>	<b>\$ 480,143</b>	<b>\$ 569,513</b>	<b>\$ 1,111,258</b>	<b>\$ 541,745</b>

#### **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 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.