

**SAGINAW AREA
STORM WATER AUTHORITY**
Saginaw County, Michigan

FINANCIAL STATEMENTS
December 31, 2017 and 2016

**BERTHIAUME
& COMPANY**

Certified Public Accountants



SAGINAW AREA STORM WATER AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
Saginaw Area Storm Water Authority
Saginaw, Michigan

We have audited the accompanying basic financial statements of Saginaw Area Storm Water Authority as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 of 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 purposes 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saginaw Area Storm Water Authority as of December 31, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees of the
Saginaw Area Storm Water Authority
Saginaw, Michigan

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4 through 5) 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, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Saginaw Area Storm Water Authority's basic financial statements. The detailed schedule of operating revenues is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The detailed schedule of operating revenues is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Bethbaum & Co.

Saginaw, Michigan
January 30, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGINAW AREA STORM WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

Overview of the Financial Statements:

Our discussion and analysis of the Saginaw Area Storm Water Authority's financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2017. Please read it in conjunction with the Authority's financial statements.

Saginaw Area Storm Water Authority as a Whole:

The following table shows, in a condensed format, the statement of net position at:

	<i>December 31,</i>	
	<u>2017</u>	<u>2016</u>
Assets:		
Current assets	\$ 77,020	\$ 12,329
Liabilities:		
Current liabilities	6,869	10,590
Net position:		
Unrestricted	\$ 70,151	\$ 1,739

The following table shows, in a condensed format, the change in fund net position for the years ended:

	<i>December 31,</i>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues		
Charges for services	\$ 79,995	\$ 90,000
Operating grants	67,748	-
General revenues		
Interest earned	11	2
Other	233	-
Total revenues	<u>147,987</u>	<u>90,002</u>
Expenses:		
Program expenses	<u>79,575</u>	<u>89,557</u>
Change in net position	68,412	445
Net position, beginning of year	<u>1,739</u>	<u>1,294</u>
Net position, end of year	<u>\$ 70,151</u>	<u>\$ 1,739</u>

SAGINAW AREA STORM WATER AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2017

Financial Highlights for 2017:

For the year ended December 31, 2017, the net position of the Authority increased by \$68,412. Some of the significant items for the year are as follows:

The membership charges to various governments were decreased to \$80,000 in the current year from \$90,000, a \$10,000 decrease. This was a budgeted decrease.

The Authority was approved for a SAW grant in the amount of \$92,500. The grant requires a 10% local match; therefore, the total grant received by the Authority will be \$83,250. In prior years, the Authority had incurred expenses in relation to permit applications for the stormwater management plan. During the current year, the Authority was reimbursed \$67,748 for those expenses through the SAW grant. The remaining \$15,502 of the grant will be expended and received in 2018.

Capital Assets and Debt Administration:

The Authority has no capital assets and no long-term debt.

Economic Factors:

Saginaw Area Storm Water Authority's budget for next year calls for membership billings of \$60,000, which is a decrease of \$20,000 (25%).

Contacting the Authority's Management:

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

BASIC FINANCIAL STATEMENTS

SAGINAW AREA STORM WATER AUTHORITY

STATEMENT OF NET POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Cash	\$ 71,506	\$ 8,148
Due from other governments	1,333	-
Prepaid expenses	<u>4,181</u>	<u>4,181</u>
Total assets	<u>77,020</u>	<u>12,329</u>
Liabilities:		
Accounts payable	<u>6,869</u>	<u>10,590</u>
Net position:		
Unrestricted	<u>\$ 70,151</u>	<u>\$ 1,739</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW AREA STORM WATER AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Charges for service - member contributions	\$ 79,995	\$ 90,000
Operating expenses:		
Administrative coordination and planning		
Contracted engineering services	66,464	75,717
Other		
Accounting and auditing services	8,850	8,850
Bank charges	80	-
Insurance	4,181	3,857
Legal	-	1,133
Total operating expenses	<u>79,575</u>	<u>89,557</u>
Operating income (loss)	420	443
Non-operating revenues:		
Interest income	11	2
Insurance rebate	233	-
State SAW grant income	<u>67,748</u>	<u>-</u>
Total non-operating revenues	<u>67,992</u>	<u>2</u>
Change in net position	68,412	445
Net position, beginning of year	<u>1,739</u>	<u>1,294</u>
Net position, end of year	<u>\$ 70,151</u>	<u>\$ 1,739</u>

The accompanying notes are an integral part of these financial statements.

SAGINAW AREA STORM WATER AUTHORITY

STATEMENT OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<i>2017</i>	<i>2016</i>
Cash flows from operating activities:		
Charges for services - member contributions	\$ 78,662	\$ 90,000
Payments to suppliers	(83,296)	(83,894)
Net cash provided (used) by operating activities	(4,634)	6,106
Cash flows from noncapital financing activities:		
Insurance rebate	233	-
State SAW grant income	67,748	-
Net cash provided (used) by noncapital financing activities	67,981	-
Cash flows from investing activities:		
Interest earned	11	2
Net (increase) decrease in cash	63,358	6,108
Cash, beginning of year	8,148	2,040
Cash, end of year	\$ 71,506	\$ 8,148
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 420	\$ 443
(Increase) decrease in assets:		
Due from other governments	(1,333)	-
Prepaid expenses	-	(1)
Increase (decrease) in liabilities:		
Accounts payable	(3,721)	5,664
Net cash provided (used) by operating activities	\$ (4,634)	\$ 6,106

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

SAGINAW AREA STORM WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Saginaw Area Storm Water Authority was created in 2002 by twelve municipalities in Saginaw County under Michigan Public Act 233 of 1955 (enabling act). The purpose of the Authority is to provide its members with assistance in maintaining compliance with the laws and regulations of the United States (Clean Water Act) and the State of Michigan which pertain to the regulation of the storm water discharges, in accordance with the Enabling Act and to perform any other functions permitted by the Enabling Act. The Authority also addresses various water quality issues related to storm water runoff and seeks to educate the general public about protecting the fresh water resources. The Authority is made up of 15 members as of December 31, 2017.

The accounting policies of the Saginaw Area Storm Water Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental agencies to be included in the reporting entity. In accordance with these guidelines, there are no component units to be included in these financial statements.

The governing body of the Authority is a Board of Trustees which consists of one voting representative for each member municipality.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities and Net Position:

Cash – Cash includes cash on hand, if any, and demand deposits. For purposes of the statement of cash flows, the above is considered to be cash.

Receivables – Recognized for all significant amounts due to the Authority. No allowance for uncollectible accounts has been provided as management does not believe collection to be doubtful.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SAGINAW AREA STORM WATER AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1: SUMMARY OF 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 certain reported amounts and disclosures. Accordingly, 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 Authority 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, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which 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.

The Authority's cash and investments are subject to custodial credit risk of bank deposits, which is 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 \$71,830 of bank deposits that were insured by FDIC insurance.

NOTE 3: 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 since inception. The Authority has no employees, and therefore does not have exposure to risks related to employee injuries or medical expenses.

OTHER SUPPLEMENTARY INFORMATION

SAGINAW AREA STORM WATER AUTHORITY

DETAILED SCHEDULE OF OPERATING REVENUES

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Contributions from other governmental units/members		
Bridgeport Charter Township	\$ 5,333	\$ 5,625
Bridgeport Spaulding Schools	5,333	5,625
Buena Vista Township and Schools	5,333	5,625
Carrollton Township and Schools	5,333	5,625
Kochville Township	-	5,625
Saginaw Charter Township	5,333	5,625
Saginaw County Public Works	5,333	5,625
Saginaw County Road Commission	5,333	5,625
Saginaw Intermediate School District	5,333	5,625
Saginaw Township Community Schools	5,333	5,625
Saginaw Valley State University	5,333	5,625
Saginaw, City of	5,333	5,625
Swan Valley School District	5,333	5,625
Thomas Township	5,333	5,625
Tittabawassee Township	5,333	5,625
Zilwaukee, City of	<u>5,333</u>	<u>5,625</u>
Total operating revenues	<u>\$ 79,995</u>	<u>\$ 90,000</u>