

**Gratiot Area Water Authority**

**Financial Statements**

**Fiscal Year Ended June 30, 2023**



**YEO & YEO**

**BUSINESS SUCCESS  
PARTNERS**

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## **Independent Auditors' Report**

Board of Trustees and Management  
Gratiot Area Water Authority  
Alma, Michigan

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities and the major fund of the Gratiot Area Water Authority (the Authority), as of and for the year ended June 30, 2023, 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, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the major fund of the Gratiot Area Water Authority as of June 30, 2023, and the respective changes in financial position and 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 issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Gratiot Area Water 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.

#### **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 Gratiot Area Water 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.

#### **Auditors' 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Gratiot Area Water 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 Gratiot Area Water 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 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.

*Yeo & Yeo, P.C.*

Alma, Michigan  
December 5, 2023

**Gratiot Area Water Authority**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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As management of the Gratiot Area Water Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements and the notes to the financial statements.

**Using this Annual Report:**

This annual report consists of the statement of net position, the statement of revenue, expenses, and changes in net position, and the statement of cash flows. Along with the notes, they provide detailed financial information concerning the Authority. This section, management's discussion and analysis, is intended to provide an overview of the Authority's financial condition, results of operations, and other key information.

**Financial Overview:**

In analyzing the Authority's financial position, it is important to recognize the mission of the Authority. From a financial perspective, the Authority's core objective is to manage the long-term costs of providing purified water to the municipalities. The Authority acts as conduit for its two municipalities, the City of Alma and the City of St. Louis, Michigan. The amounts charged to the municipalities approximate the operating costs incurred by the Authority in providing water plus a factor of depreciation of the assets that were contributed for future replacement. The key financial statistics for the Authority, therefore, is related to measurement of the ability to reduce the operating costs to the municipalities and to accumulate financial resources for the future maintenance and replacement of capital assets.

Initially the intention was to fund 100% of the depreciation of assets. The reality of the situation however is that this would place a hardship in rate increases on the customers of the participating municipal water systems. The Authority began receiving ownership of assets being transferred/contributed by the City of St. Louis in 2018. Assets will continue to be transferred as the capital projects that are being completed with grants are completed. This would have an effect of needing to drastically increase the rate proposed to cover depreciation of significant assets being contributed. Rather than burden the customers with 20 to 30% increases, future rate increases are anticipated at 5% per year which will allow for modest operating increases and a factor of depreciation funding for the established Replacement Reserve. This will be reevaluated each year by the Authority Board. It is anticipated that 100% depreciation funding annually will be achieved over time.

The Authority Board adopted the policy of maintaining minimum working capital assets (approximately equal to three months expenditures) with all other funds set aside in a Replacement Reserve. Uses of the Replacement Reserve are by Board approval only.

**Gratiot Area Water Authority**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Water Supplied, Cost, Rate, Reserve information:**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Water Supplied (in thousands of gallons)	527,984	519,317	538,212	537,949	538,473
Total operating expenses (excluding depreciation)	\$ 967,191	\$ 819,718	\$ 787,217	\$ 815,278	\$ 799,379
Cost per thousand gallons	\$ 1.83	\$ 1.58	\$ 1.46	\$ 1.52	\$ 1.48
Current Depreciation	\$ 851,100	\$ 851,100	\$ 858,412	\$ 774,461	\$ 833,763
Depreciation Cost per thousand gallons	\$ 1.61	\$ 1.64	\$ 1.59	\$ 1.44	\$ 1.55
Total Cost per thousand gallons	\$ 3.44	\$ 3.22	\$ 3.06	\$ 2.96	\$ 3.03
Rate Charged per thousand gallons	\$ 3.12	\$ 2.97	\$ 2.84	\$ 2.70	\$ 2.57
Percent of current depreciation able to be funded	79.91%	84.91%	86.36%	82.27%	70.10%
Balance of Replacement Reserves	\$ 4,172,146	\$ 3,339,414	\$ 2,680,633	\$ 2,029,597	\$ 1,330,038

The statement of net position provides an overview of the Authority's assets, liabilities and net position. Over time, the level of net position can provide a good indicator of the Authority's fiscal health. At the close of fiscal year 2023, assets exceeded liabilities by \$23,187,634. The largest portion of net position is reflected in net investment in capital assets. At June 30, 2023, this amount is \$18,541,193. This is a decrease from the previous year which is primarily due to the current depreciation of assets being more than the replacement of or purchase of new assets and increases in operating expenses.

Unrestricted net position includes the established replacement reserve, with a balance of \$4,646,441 at the close of the 2023 fiscal year.

**Authority's Net Position:**

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Other assets	\$ 4,745,364	\$ 3,866,358
Capital assets	18,541,193	19,392,293
Total assets	23,286,557	23,258,651
<b>Liabilities</b>		
	98,923	83,363
<b>Net Position</b>		
Net investment in capital assets	18,541,193	19,392,293
Unrestricted	4,646,441	3,782,995
Total net position	\$ 23,187,634	\$ 23,175,288

The Authority's net position increased \$12,346 during the 2023 fiscal year. This was primarily due to increases in investment income.

**Gratiot Area Water Authority**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Authority's Changes in Net Position:**

	<u>2023</u>	<u>2022</u>
<b>Operating Revenues</b>	\$ 1,673,149	\$ 1,568,925
<b>Operating Expenses</b>		
Maintenance, production and administration	967,190	819,718
Depreciation	851,100	851,102
Total operating expenses	<u>1,818,290</u>	<u>1,670,820</u>
Operating income (loss)	(145,141)	(101,895)
<b>Nonoperating Revenues</b>	<u>157,487</u>	<u>16,765</u>
<b>Change in net position</b>	12,346	(85,130)
<b>Beginning net position</b>	<u>23,175,288</u>	<u>23,260,418</u>
<b>Ending net position</b>	<u>\$ 23,187,634</u>	<u>\$ 23,175,288</u>

**Capital Assets and Debt Activity:**

Most of capital assets of the Authority have been contributed from the participating municipalities. The initial water treatment facility was contributed by the City of Alma with significant upgrades being financed by the City of St. Louis through its own funds as well as EPA grant funds to connect the two systems and locate and provide new wells and transmission. As final costs of construction are completed, assets are being transferred into the Authority. Assets will continue to be transferred in the next few years as projects are completed and closed out. The balance, net of depreciation, at June 30, 2023 was \$18,541,193. Additional information about the Authority's capital assets is presented in Note 1 and Note 3 of the notes to the financial statements.

Currently the Authority has no debt to report.

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

The expected production of water by the Authority for the next fiscal year remains consistent with the recent average annual production amount. As a result, the related operating expenses should not substantially change on volume production, however, capital assets continue to be added and the operation and maintenance of those facilities will undoubtedly increase as well. The Authority is anticipating the completion of the final well (Well 12) within the next fiscal year. The Authority will continue to strive for 100% funding of depreciation, as such future increases of rates will reflect that goal but will also strive to not place an undue burden on the participating customer municipalities.

**Contacting the Authority's Financial Management:**

This financial report is intended to aid our citizens, customers, and other interested parties in understanding the Authority's financial condition. If you have questions about this report or need additional financial information, please contact the City of St. Louis Finance Office, 300 N Mill Street, St. Louis, MI 48880.

**Gratiot Area Water Authority**  
**Statement of Net Position**  
**June 30, 2023**

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**Assets**

Current assets

Cash and cash equivalents	\$ 4,473,536
Receivables	181,755
Advance due from other units of government	40,000
Inventories	44,023
Prepaid items	<u>6,050</u>

Total current assets 4,745,364

Noncurrent assets

Capital assets not being depreciated	280,176
Capital assets, net of accumulated depreciation	<u>18,261,017</u>

Total noncurrent assets 18,541,193

Total assets 23,286,557

**Liabilities**

Current liabilities

Accounts payable	<u>98,923</u>
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**Net Position**

Net investment in capital assets 18,541,193

Unrestricted 4,646,441

Total net position \$ 23,187,634



**Gratiot Area Water Authority**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2023**

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<b>Operating Revenues</b>	
Charges for services	<u>\$ 1,673,149</u>
<b>Operating Expenses</b>	
Water production	
Operations and maintenance	937,441
Administration	29,749
Depreciation	<u>851,100</u>
Total operating expenses	<u>1,818,290</u>
Operating loss	<u>(145,141)</u>
<b>Nonoperating Revenues</b>	
Investment income	149,277
Other revenue	2,085
State grant	<u>6,125</u>
Total nonoperating revenues	<u>157,487</u>
<b>Change in net position</b>	12,346
<b>Beginning net position</b>	<u>23,175,288</u>
<b>Ending net position</b>	<u><u>\$ 23,187,634</u></u>

**Gratiot Area Water Authority**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2023**

**Cash flows from operating activities**

Receipts from customers	\$ 1,626,529
Payments to vendors	<u>(979,905)</u>
Net cash provided by operating activities	<u>646,624</u>

**Cash flows from noncapital financing activities**

Other revenue	2,085
State grant	<u>6,125</u>
Net cash provided by noncapital financing activities	<u>8,210</u>

**Cash flows from investing activities**

Investment income	<u>149,277</u>
Net change in cash and cash equivalents	804,111
Cash and cash equivalents - beginning of year	<u>3,669,425</u>
Cash and cash equivalents - end of year	<u><u>\$ 4,473,536</u></u>

**Reconciliation of operating loss to net cash provided by operating activities**

Operating loss	\$ (145,141)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation expense	851,100
Changes in assets and liabilities	
Receivables	(46,620)
Inventories	(22,225)
Prepaid items	(6,050)
Accounts payable	<u>15,560</u>
Net cash provided by operating activities	<u><u>\$ 646,624</u></u>

**Gratiot Area Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Note 1 – Summary of Significant Accounting Policies**

**Reporting Entity**

Gratiot Area Water Authority (Authority) is a joint venture between the City of Alma and the City of St. Louis. The purpose of the Authority is to locate, treat and deliver potable water to the residents of the two cities. The Authority is governed by a Board of Trustees consisting of two voting representatives for each constituent municipality as appointed by a majority vote of the respective governing body. The city managers for each constituent municipality also serve, ex officio.

The Board is responsible for preparing and adopting an annual budget of proposed expenditures for the operation of the Authority. The Board has the power to acquire real and personal property, enter into contracts and issue debt. Funding for the Authority is provided by each constituent municipality based on metered water usage.

The City of St. Louis maintains the accounting records for the Authority. The Authority is an enterprise fund type. The Authority does not have any component units.

**Basis of Accounting**

The accounting policies of the Authority conform to generally accepted accounting principles as applicable to governmental entities. The accounts of the Authority are used to account for its activities, which are financed and operated in a manner similar to a private business enterprise. Accordingly, the Authority maintains its records on the accrual basis of accounting. Revenues from operations, investments and other sources are recorded when earned. Expenses (including depreciation) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include contributions and grants. On an accrual basis, revenue from contributions and grants is recognized in the fiscal year in which all eligibility requirements have been satisfied, including timing and expense requirements. Timing requirements specify the year when the resources are required to be used or the fiscal year when use is first permitted. Expense requirements specify the year in which the resources are provided to the Authority on a reimbursement basis.

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as all highly liquid investments with a maturity of less than three months at time of purchase. The Authority includes cash on hand, demand deposits and short term investments as cash equivalents.

Investments are reported at fair market value.

**Receivables**

Receivables have been recognized for all significant amounts due the Authority. No allowance for uncollectible accounts has been determined necessary.

**Inventories**

Inventories of enterprise funds are valued at lower of cost or market using first-in, first-out costing.

**Gratiot Area Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the financial statements. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations, the Authority values these capital assets at the estimated fair value of the item at the date of its donation.

Land and construction in progress are not depreciated. All other capital assets are depreciated using the straight-line method over the following useful lives:

Asset Class	Depreciable Life
Land Improvements	10-20 Years
Buildings and improvements	25-40 Years
Equipment	5-10 Years
Water systems	30-40 Years

**Net Position**

Net position, which represents the difference between assets and liabilities, is reported in three components as follows:

*Net investment in capital assets* - consists of capital assets, net of accumulated depreciation, and related debt.

*Restricted* - consists of amounts that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation.

*Unrestricted* - is the residual balance of net position after net investment in capital assets and restricted.

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

The Authority has an internal policy of maintaining minimum working capital assets, equal to approximately three months expenditures, with all other funds set aside in a replacement reserve. The operating reserve had a balance of \$301,389 at June 30, 2023. The replacement reserve had a balance of \$4,172,146 at June 30, 2023.

**Classification of Revenues and Expenses**

Enterprise 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 an enterprise fund's principal ongoing operation. Operating expenses for enterprise funds include the cost 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 expenses.

**Gratiot Area Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2023**

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**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, deferred outflows, liabilities, deferred inflows 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.

**Budgetary Information**

The financial activity of the Authority is presented in an enterprise fund, which is not required under State statutes to adopt appropriated budgets.

**Adoption of New Accounting Standards**

Statement No. 96, *Subscription-Based Information Technology Arrangements*, is based on the standards established in Statement No. 87 Leases. This statement (1) defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction (2) requires governments with SBITAs to recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability, and (3) provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA.

**Upcoming Accounting and Reporting Changes**

Statement No. 100, *Accounting Changes and Error Corrections*, improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. More understandable, reliable, relevant, consistent and comparable information will be provided to financial statement users for making decisions or assessing accountability. Additionally, the display and note disclosure requirements will result in more consistent, decision useful, understandable and comprehensive information for users about accounting changes and error corrections. This statement is effective for the year ending June 30, 2024.

The Authority is evaluating the impact that the above GASB statement will have on its financial reporting.

**Note 2 – Cash Deposits and Investments**

The deposits and investments of the Authority at June 30, 2023 are reported in the basic financial statements as follows:

<b>Statement of net position</b>	
Cash and cash equivalents	<u>\$ 4,473,536</u>
<b>Cash deposits and investments</b>	
Deposits	\$ 656,526
Investments	3,817,010
Total	<u>\$ 4,473,536</u>

The Authority's cash and investments are subject to several types of risk, which are examined more detail as follows:

*Custodial credit risk - deposits* - In the case of deposits, this is the risk that in the event of bank failure, the Authority's deposits may not be returned to it. The Authority does not have a policy for custodial credit risk.

## **Gratiot Area Water Authority**

### **Notes to the Financial Statements**

#### **June 30, 2023**

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At June 30, 2023, \$437,162 of the bank balance of \$687,162 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Interest rate risk* - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy's objective is to minimize the risk that the market value of the securities in the portfolio will fall due to changes in general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. There were no debt type investments at June 30, 2023 exposed to this risk.

*Credit risk* - Generally, credit risk is the risk that an issuer of a debt type investment will not fulfill its obligation to the holder of the investment. This is measured by assignment of a rating by a nationally recognized rating organization. U.S. Government securities or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk exposure. The Authority's investment policy's objective is to minimize credit risk by a) limiting investments to the safest types of securities, b) diversifying the portfolio so that potential losses on individual securities would be minimized, and c) maintaining credit ratings when available on all holdings.

*Concentration of credit risk* - The Authority has no policy that would limit the amount that may be issued in any one issuer.

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

The Authority holds shares or interests in investment companies whereby 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 year end, the net asset value of the Authority's investment in Michigan CLASS was \$3,817,010. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The Michigan CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money-market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and 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. It has a rating of AAAM from Standard and Poor's with a weighted average maturity less than 60 days.

**Gratiot Area Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2023**

**Note 3 – Capital Assets**

A summary of changes in capital assets is presented below:

	Balances June 30, 2022	Additions	Deletions	Balances June 30, 2023
Capital assets not being depreciated				
Land	\$ 280,176	\$ -	\$ -	\$ 280,176
Capital assets being depreciated				
Land improvements	647,636	-	-	647,636
Buildings and improvements	15,476,984	-	-	15,476,984
Equipment	3,232,880	-	-	3,232,880
Water systems	6,621,170	-	-	6,621,170
Total capital assets being depreciated	25,978,670	-	-	25,978,670
Less accumulated depreciation for				
Land improvements	152,559	35,737	-	188,296
Buildings and improvements	3,868,712	422,897	-	4,291,609
Equipment	1,987,528	226,937	-	2,214,465
Water systems	857,754	165,529	-	1,023,283
Total accumulated depreciation	6,866,553	851,100	-	7,717,653
Net capital assets being depreciated	19,112,117	(851,100)	-	18,261,017
Total net capital assets	\$ 19,392,293	\$ (851,100)	\$ -	\$ 18,541,193

**Note 4 – Risk Management**

The Authority is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job related illnesses or injuries to employees; natural disasters; and environmental occurrences.

The Authority is a member of Michigan Municipal Risk Management Authority (MMRMA), a public entity risk pool of cities, counties, authorities, colleges and other local units of government. MMRMA had more than 300 members as of June 30, 2023. The purpose of MMRMA is to provide cooperative and comprehensive risk financing and risk control services for general and automotive liability, motor vehicle physical damage, and property; purchase or otherwise make other provisions for reinsurance, excess insurance or make other provisions for payment of losses and related expenses; and provide claims, legal defense and related general administrative services to members.

MMRMA is governed by a ten-member Board of Directors composed of local government representatives from the membership elected by the membership. The Board of Directors establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered to impose sanctions or terminate membership.

Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 5 – Related Party Transactions**

The Authority provides water production services for the City of Alma and the City of St. Louis. The total amount received for these services for the year ended June 30, 2023 was \$894,652 and \$756,979 from the City of Alma and the City of St. Louis, respectively. The related outstanding receivables were \$103,058 and \$71,407 from the City of Alma and City of St. Louis, respectively.

**Gratiot Area Water Authority**  
**Notes to the Financial Statements**  
**June 30, 2023**

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The Authority receives support from the City of Alma including services from the Public Works Division and Water Division, administration and engineering services, equipment rental, and other various costs. The total amount paid for these services for the year ended June 30, 2023, was \$394,544. The outstanding payable was \$60,752.

The Authority receives support from the City of St. Louis including accounting services, administration and engineering services, postage and supplies, and other various costs. The total amount paid for these services for the year ended June 30, 2023, was \$22,620. The outstanding payable was \$2,702.