

Western Townships Utilities Authority

**Financial Report
with Additional Information
September 30, 2002**



Western Townships Utilities Authority

Contents

Report Letter	1
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Statement of Net Assets	6
Statement of Revenue, Expenses, and Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9-19
Report Letter	20
Additional Information	
Schedule of Expenditures - Budget and Actual	21
Schedule of Indebtedness	22-23



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Commissioners
Western Townships Utilities Authority

We have audited the accompanying basic financial statements of Western Townships Utilities Authority as of September 30, 2002 and 2001 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of Western Townships Utilities Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Western Townships Utilities Authority as of September 30, 2002 and 2001 and the changes in financial position, including cash flows, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Western Townships Utilities Authority. We did not examine this data and, accordingly, do not express an opinion thereon.

Plante & Moran, PLLC

December 20, 2002

A member of



A worldwide association of independent accounting firms

Western Townships Utilities Authority

Management's Discussion and Analysis

Using this Annual Report

Western Townships Utilities Authority (WTUA or the "Authority") is a joint venture of three townships located in western Wayne County: Canton, Northville, and Plymouth. The primary role of the Authority is to operate a sewage transportation system for these communities. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets 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.

Financial Overview

In analyzing the Authority's financial 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 three member townships. From a financial perspective, the Authority's core objective is to manage the long-term costs of sewage disposal for its three member townships. In essence, the Authority acts as a conduit for its three 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).

The following table shows the trend in total operating costs compared to flow volumes:

	Year Ended September 30		
	2000	2001	2002
Total costs charged to townships (operating expenses - Net of unrestricted interest earnings)	\$ 7,561,831	\$ 8,819,594	\$ 9,839,616
Total flow (thousands of gallons)*	5,225,930	5,189,958	5,646,177
Cost per thousand gallons	\$ 1.447	\$ 1.699	\$ 1.743

* For the purpose of this calculation, flow volumes are measured as the metered quantity of sewage transported to Ypsilanti Community Utilities Authority (YCUA) plus an estimated quantity of sewage sent to Wayne County (which is measured as a percentage of the water purchased by the Authority's communities from Detroit, adjusted for water-only and sewer-only customers).

Condensed Financial Information

The following table presents condensed information about the Authority's financial position compared to the prior year. The most significant change is in total net assets, which increased by approximately \$4,100,000 from the prior year. As discussed above, the Authority charges its members only as cash or working capital is required. The Authority's infrastructure is financed by a 20-year bond issue, which is paid directly by the three member townships. During the current year, the townships contributed toward a new capital infrastructure project, resulting in an increase in the positive net asset amount.

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information (Continued)

	September 30		Change	
	2002	2001	Amount	Percent
Current assets	\$ 4,307,272	\$ 4,650,468	\$ (343,196)	(7.4)
Due from YCUA	37,738	-	37,738	1.0
Restricted assets	3,989,377	16,081,357	(12,091,980)	(75.2)
Capital assets	73,859,509	71,483,048	2,376,461	3.3
Total assets	<u>82,193,896</u>	<u>92,214,873</u>	<u>(10,020,977)</u>	(10.9)
Current liabilities	4,925,272	4,432,582	492,690	11.1
Liabilities payable from restricted assets	224,813	5,109,897	(4,885,084)	(95.6)
Long-term debt	68,073,655	77,803,303	(9,729,648)	(12.5)
Total liabilities	<u>73,223,740</u>	<u>87,345,782</u>	<u>(14,122,042)</u>	(16.2)
Net assets:				
Invested in capital assets - Net of debt	4,985,854	2,205,880	2,779,974	126.0
Restricted assets	3,802,302	2,445,325	1,356,977	55.5
Unrestricted	<u>182,000</u>	<u>217,886</u>	<u>(35,886)</u>	(16.5)
Total net assets	<u>\$ 8,970,156</u>	<u>\$ 4,869,091</u>	<u>\$ 4,101,065</u>	84.2

The following table presents condensed information about the Authority's revenues and expenses compared to the prior year.

	Year Ended September 30		Change	
	2002	2001	Amount	Percent
Earned revenue from townships	\$ 9,839,616	\$ 8,819,594	\$ 1,020,022	11.6
Interest on operating cash	24,072	87,769	(63,697)	(72.6)
Total revenue	9,863,688	8,907,363	956,325	10.7
Sewage treatment charges	6,781,165	5,869,469	911,696	15.5
Operation and maintenance	1,290,306	1,240,021	50,285	4.1
Administrative and other	581,950	567,461	14,489	2.6
Sewage capacity rental	<u>1,198,767</u>	<u>1,230,412</u>	<u>(31,645)</u>	(2.6)
Total operating expenses	9,852,188	8,907,363	944,825	10.6
Other nonoperating expenses	<u>(793,072)</u>	<u>(18,128)</u>	<u>(774,944)</u>	4,274.8
Net loss - Before capital contributions	(781,572)	(18,128)	(763,444)	4,211.4
Contributions from townships	<u>4,882,637</u>	<u>3,996,285</u>	<u>886,352</u>	22.2
Net income	<u>\$ 4,101,065</u>	<u>\$ 3,978,157</u>	<u>\$ 122,908</u>	3.1

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information (Continued)

The most significant change relates to an increase in sewage treatment costs, which escalated to over 15 percent higher than 2001, due to the following factors:

- An increase in the volume of sewage sent for treatment (8.8%)
- Rate increases passed on by Detroit Water and Sewer Department
- The lookback payment owed to YCUA during the year ended September 30, 2002

Budgetary Highlights

During the year, the Authority made very few amendments to its budget. Costs came in approximately 1 percent over budget, due to the higher than projected costs for sewage treatment charges.

Capital Asset and Debt Administration

During the current year, the Authority managed the following capital improvement projects:

Collection system redirection	\$ 217,918
Emergency Wet Weather system	1,003,902
YCUA expansion, design engineering	2,404,933
YCUA expansion, U.V. disinfection	367,267
Middle Rouge sewer repair	144,238
Landscape enhancements	1,500
Effluent discharge pipe	30,960
Generator	<u>3,000</u>
 Total capital project additions	 <u>\$ 4,173,718</u>

The collection system redirection represents the completion of the construction of sewage transportation lines intended to allow redirection of flows from the eastern edge of the service area back into the equalization basins. The Emergency Wet Weather system represents completion of a storage and disinfection system at the lower Rouge equalization basin. Also during the year, we began the first phases of the YCUA wastewater treatment plant expansion, beginning with the U.V. disinfection system and the design engineering of the plant. As a result, the Authority's total investment in capital assets increased to approximately \$89 million (before considering depreciation).

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

During the current year, the Authority defeased its outstanding 1991 bond issue through the issuance of 2001 Limited Tax General Obligation Bonds plus contributions from the townships. The benefits will be to reduce future debt service by a present value of \$8 million, as well as to eliminate the requirements of the trust agreement associated with the original bonds.

The expanded YCUA plant will have capacity sufficient to handle the Authority's anticipated member township sewage flows through the year 2025. The cost of this expansion is currently estimated at approximately \$75 million. The townships have utilized current funds of approximately \$24 million, and the Authority has issued bonds on October 31, 2002 of \$51,350,000. In connection with this new financing, the Authority received a credit rating of AA+ from Standard and Poor exemplifying the strong financial position of our member communities.

Economic Factors and Next Year's Budgets and Rates

Although there was a substantial decrease in debt service obligation in the 2001/2002 fiscal year, the debt service for the YCUA plant expansion will increase the debt costs next year to figures in line with those of the past decade.

The YCUA sewage treatment plant expansion project discussed above will have a significant positive impact on the future cost of sewage disposal to the three member townships in the long term. Current estimates are that this increase is expected to be less than the increases that would have resulted from long-term participation in the Wayne County/Detroit sewage treatment system.

In the short term, costs will be dependent on the volume of sewage flow. The Authority's budget for the year ending September 30, 2003 forecasts a moderate increase in sewage flow volume and, therefore, costs.

Contacting the Authority's Management

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



Timothy J. Faas,
Director of Operations

Western Townships Utilities Authority

Statement of Net Assets

	September 30	
	2002	2001
Assets		
Cash (Note 3)	\$ 1,332,469	\$ 946,610
Due from members	1,955,183	3,671,048
Unbilled receivable:		
Debt service	909,875	-
Capital improvement	74,713	-
Prepaid expenses	35,032	32,810
Due from YCUA	37,738	-
Restricted assets - Cash and investments (Note 3)	3,989,377	16,081,357
Capital assets (Note 4)	73,859,509	71,483,048
Total assets	82,193,896	92,214,873
Liabilities		
Accounts payable	1,407,811	989,806
Billing lookback - Due to members (Note 5)	643,436	1,500,509
Good faith deposit	-	743,500
Accrued interest payable	909,875	-
Advances from townships for YCUA rental capacity	1,164,150	1,198,767
Long-term debt due within one year	800,000	-
Current liabilities payable from restricted assets:		
Accrued interest payable	-	1,220,111
Long-term debt due within one year	-	3,660,000
Construction retainers payable	96,362	229,786
Construction contracts payable	128,451	-
Long-term debt - Due in more than one year (Note 6)	68,073,655	77,803,303
Total liabilities	73,223,740	87,345,782
Net Assets		
Invested in capital assets - Net of related debt	4,985,854	2,205,880
Restricted for debt service and other purposes	3,802,302	2,445,325
Unrestricted	182,000	217,886
Total net assets	\$ 8,970,156	\$ 4,869,091

Western Townships Utilities Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended September 30	
	2002	2001
Operating Revenue		
Earned revenue from townships	\$ 9,839,616	\$ 8,819,594
Interest earned on operating cash	24,072	87,769
Total operating revenue	9,863,688	8,907,363
Operating Expenses		
Sewage treatment charges	6,781,165	5,869,469
Operation and maintenance	1,290,306	1,240,021
Administrative and other	581,950	567,461
Sewage capacity rental	1,198,767	1,230,412
Total operating expenses	9,852,188	8,907,363
Operating Income	11,500	-
Nonoperating Revenue (Expenses)		
Interest earnings on restricted assets	217,489	651,197
Debt billings to townships	6,293,252	7,465,766
Arbitrage refund from the IRS for the 1989 series bonds	303,960	-
Solid waste expenses	(3,306)	-
Interest expense	(5,533,601)	(6,122,342)
Depreciation	(1,797,258)	(1,795,169)
Amortization	(273,608)	(217,580)
Total nonoperating expenses	(793,072)	(18,128)
Net Loss - Before capital contributions	(781,572)	(18,128)
Capital Contributions from Townships	4,882,637	3,996,285
Net Income	4,101,065	3,978,157
Net Assets - Beginning of year	4,869,091	890,934
Net Assets - End of year	\$ 8,970,156	\$ 4,869,091

See Notes to Financial Statements.

7



Western Townships Utilities Authority

Statement of Cash Flows

	Year Ended September 30	
	2002	2001
Cash Flows from Operating Activities		
Cash received from townships	\$ 10,698,408	\$ 8,853,167
Cash payments to suppliers for goods and services	(9,165,625)	(9,205,889)
Cash payments to employees for services	(305,397)	(216,114)
Net cash provided by (used in) operating activities	1,227,386	(568,836)
Cash Flows from Capital and Related Financing Activities		
Collection of debt billings to townships	5,383,377	7,465,766
Principal and interest paid on long-term debt	(9,177,515)	(7,692,170)
Proceeds from issuance of debt	75,244,089	-
Payments related to issuance of debt	(1,038,940)	-
Payments for refunding of 1991 debt issue	(73,865,000)	-
Payments for defeasance of 1991 debt issue	(10,613,227)	-
Cash received from refund of arbitrage	303,960	-
Capital contributions from members	4,879,331	3,996,285
Payments for the acquisition or construction of capital assets	(4,291,143)	(1,407,214)
Net cash provided by (used in) capital and related financing activities	(13,175,068)	2,362,667
Cash Flows from Investing Activities - Interest received on investments	241,561	738,966
Net Increase (Decrease) in Cash and Cash Equivalents	(11,706,121)	2,532,797
Cash and Cash Equivalents - Beginning of year	17,027,967	14,495,170
Cash and Cash Equivalents - End of year	\$ 5,321,846	\$ 17,027,967
Reconciliation of Operating Income to Cash Flows from Operating Activities		
Operating income	\$ 11,500	\$ -
Less interest included in operating revenue	(24,072)	(87,769)
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
(Increase) decrease in due from members - Monthly billings	1,715,865	(1,514,206)
(Increase) decrease in prepaid expenses	(2,222)	3,370
Increase (decrease) in accounts payable	418,005	(518,010)
Increase (decrease) in advances from townships - YCUA rental capacity	(34,617)	1,198,767
Increase (decrease) in due to members - Billing lookback	(857,073)	349,012
Net cash provided by (used in) operating activities	\$ 1,227,386	\$ (568,836)
Balance Sheet Classification of Cash and Cash Equivalents		
Unrestricted cash	\$ 1,332,469	\$ 946,610
Restricted cash and investments	3,989,377	16,081,357
Total cash and cash equivalents	\$ 5,321,846	\$ 17,027,967

See Notes to Financial Statements.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 1 - Nature of Entity

Western Townships Utilities Authority (the "Authority") is a joint venture of the Charter Townships of Canton, Northville, and Plymouth and was created pursuant to Act 233, Michigan Public Acts of 1955. Its allowed purpose is to acquire and operate a sewage disposal system, a solid waste management system, and/or a water supply system. The Authority currently operates a sewage transportation system for these communities.

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.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the 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 organizations to be included in the reporting entity. In accordance with these guidelines, there are no component units to be included in these financial statements.

Basis of Accounting - The accrual basis of accounting is used by the Authority. The Authority follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989.

Operating Revenue - Operating revenue represents billings to member townships based on the Authority's 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 assets.

Fixed Assets - All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such fixed assets is charged as an expense against the operations of the Authority on a straight-line basis.

Investments - Investments are recorded at fair value, based on quoted market prices.

Cash Equivalents - For the purpose of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 2 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - Certain assets are restricted by the Authority's bond ordinance. When an expense is incurred that allows the use of restricted assets (such as bond debt principal and interest), those assets are applied before utilizing any unrestricted assets.

Other accounting policies are disclosed in other notes to financial statements.

Note 3 - Cash and Investments

The Authority's cash and investments are included on the statement of net assets under the following classifications:

	2002	2001
Cash	\$ 1,332,469	\$ 946,610
Restricted assets	<u>3,989,377</u>	<u>16,081,357</u>
Total	<u>\$ 5,321,846</u>	<u>\$ 17,027,967</u>

The above amounts are classified by Governmental Accounting Standards Board Statement No. 3 in the following categories:

	2002	2001
Deposits	\$ 1,909,169	\$ 1,523,310
Investments	<u>3,412,677</u>	<u>15,504,657</u>
Total	<u>\$ 5,321,846</u>	<u>\$ 17,027,967</u>

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 3 - Cash and Investments (Continued)

The Authority's deposits and investments are comprised of the following:

	2002		2001	
	Deposits	Investments	Deposits	Investments
Unrestricted	\$ 1,332,469	\$ -	\$ 946,610	\$ -
Restricted for debt service purposes				
Bond principal account	-	-	-	2,385,090
Bond interest account	-	-	-	1,590,702
Arbitrage rebate account	-	-	-	370,378
Bond reserve account	-	-	-	8,526,135
Restricted for construction purposes				
YCUA WWTP Design account	-	35,480	-	2,399,201
YCUA WWTP Construction account	-	3,256,667	-	-
Assets held at Wayne County	-	22	-	22
Restricted for solid waste purposes	-	24,146	-	24,146
Restricted for retainages	-	96,362	-	208,983
Restricted for capital replacement and improvement	576,700	-	576,700	-
Total	\$ 1,909,169	\$ 3,412,677	\$ 1,523,310	\$ 15,504,657

Deposits

The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,041,049 and \$1,989,899 at September 30, 2002 and 2001, respectively. Of those amounts, \$100,000 was covered by federal depository insurance at September 30, 2002 and 2001. The remainder was uninsured and uncollateralized.

Investments

The Authority is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, banker's acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Authority's investments consisted entirely of bank investment pools. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. The Authority believes that the investments in the funds comply with the investment authority noted above.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 4 - Capital Assets

Capital asset activity for the year ended September 30, 2002 was as follows:

	2001	Increases	2002
Capital assets not being depreciated:			
Land	\$ 2,136,913	\$ -	\$ 2,136,913
Construction in progress:			
Equity in YCUA sewage plant	921,947	2,772,199	3,694,146
Storage and disinfection building	-	1,000,652	1,000,652
Subtotal	3,058,860	3,772,851	6,831,711
Capital assets being depreciated:			
Buildings and land restoration costs	2,725,565	-	2,725,565
Utility system:			
Sewage transmission lines	41,632,952	394,616	42,027,568
Retention/Equalization basin and pump station	36,422,463	6,251	36,428,714
Equity in YCUA control system	812,089	-	812,089
Furniture and office equipment	55,898	-	55,898
Subtotal	81,648,967	400,867	82,049,834
Less accumulated depreciation for:			
Buildings and land restoration costs	(1,309,678)	(178,119)	(1,487,797)
Utility system:			
Sewage transmission lines	(5,114,419)	(721,127)	(5,835,546)
Retention/Equalization basin and pump station	(6,706,659)	(878,720)	(7,585,379)
Equity in YCUA control system	(38,354)	(19,177)	(57,531)
Furniture and office equipment	(55,669)	(114)	(55,783)
Subtotal	(13,224,779)	(1,797,257)	(15,022,036)
Net capital assets being depreciated	68,424,188	(1,396,390)	67,027,798
Total capital assets - Net of depreciation	\$ 71,483,048	\$ 2,376,461	\$ 73,859,509

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 4 - Capital Assets (Continued)

Construction Commitments - The Authority has one active construction project at year end, the expansion of the YCUA plant. The purpose of the YCUA plant expansion is to improve and expand the YCUA wastewater treatment facilities and to provide transportation and treatment of wastewater for the Charter Townships of Canton, Northville, and Plymouth. At year end, the Authority's commitments with contractors are as follows:

	Total Commitment	Spent to Date	Remaining Commitment
YCUA Plant Expansion	\$ 75,000,000	\$ 367,267	\$ 74,632,733

Engineering and design costs for YCUA Plant Expansion have been incurred in the amount of \$3,326,879. This phase of the project was complete as of September 30, 2002.

The majority of the costs associated with the plant expansion were financed subsequent to year end through cash contributions from the townships of approximately \$22,000,000 and \$51,325,000 in Sewage Disposal System Bonds (Limited Tax General Obligation), Series 2002. The townships have entered into a contract with the Authority whereby the townships have agreed to pay the principal and interest on the bonds as they become due.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 5 - Due to Members - Billing Lookback

At September 30, 2002 and 2001, the amount due to member townships is as follows:

	2002	2001
Operating activities:		
Monthly billings	\$ 10,102,537	\$ 9,051,476
Prior year lookback unrefunded	-	1,151,497
Actual operating expenses - Net of interest earnings and planned working capital addition	(9,839,616)	(8,819,594)
Total operating activities	262,921	1,383,379
Debt activities:		
Release of excess funds from bond reserve	-	969,905
Quarterly debt receipts for payments of 1991 debt	-	7,465,766
Principal and interest on 1991 debt	-	(8,435,671)
Debt invoiced to townships for 2001 bond issue	3,562,875	-
Semiannual principal and interest payments on debt	(3,562,875)	-
Contribution for October 2001 defeasance	1,039,689	-
Proceeds from bond issue	75,324,432	-
Transfer to escrow agent	(75,949,446)	-
Costs of issuance	(283,971)	-
Contribution for August 2002 defeasance	911,516	-
Transfer to escrow agent	(911,516)	-
Total debt activities	130,704	-
Capital activities:		
Billed as part of the monthly invoices	1,583,077	832,183
Special billings for capital items	3,511,917	3,375,418
Cash paid for capital asset acquisitions	(1,401,519)	(715,053)
Construction account funding	(3,511,917)	(3,375,418)
Total capital activities	181,558	117,130
Non-budgeted increase in working capital	68,253	-
Total billing lookback to townships	\$ 643,436	\$ 1,500,509

In addition, approximately \$3,300,000 is being held in trust related to the YCUA expansion project.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 6 - Long-term Debt

Long-term debt activity for the year ended September 30, 2002 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance
2001 General Obligation Bond with interest rates from 3.5% to 5.25%, maturing through 2019	\$ -	\$ 74,350,000	\$ (825,000)	\$ 73,525,000
Less: Deferred amount on refunding	-	(4,924,953)	273,608	(4,651,345)
1991 General Obligation Bond with interest rates from 6.1% to 6.85%, maturing through 2019	80,711,646	-	(80,711,646)	-
Less:				
Unamortized discount on 1991 issue	(1,675,898)	-	1,675,898	-
Unamortized bond issue costs on 1991 issue	(2,240,560)	-	2,240,560	-
Deferred amount on refunding	(1,607,144)	-	1,607,144	-
Accrued interest on capital appreciation bonds	6,275,259	-	(6,275,259)	-
Total long-term debt	81,463,303	69,425,047	(82,014,695)	68,873,655
Less current portion*	(3,660,000)	-	2,860,000	(800,000)
Long-term debt - Net of current portion	<u>\$ 77,803,303</u>	<u>\$ 69,425,047</u>	<u>\$ (79,154,695)</u>	<u>\$ 68,073,655</u>

* Current portion includes accrued interest on capital appreciation bonds.

Debt Service Requirements

The annual principal and interest requirements to service all debt outstanding as of September 30, 2002 are as follows:

Years Ending September 30	General Obligations		
	Principal	Interest	Total
2003	\$ 800,000	\$ 3,623,500	\$ 4,423,500
2004	800,000	3,591,500	4,391,500
2005	900,000	3,557,500	4,457,500
2006	4,000,000	3,434,500	7,434,500
2007	4,000,000	3,224,500	7,224,500
2008-2012	23,150,000	12,700,813	35,850,813
2013-2017	31,000,000	5,631,625	36,631,625
2018-2019	8,875,000	220,937	9,095,937
Total	<u>\$ 73,525,000</u>	<u>\$ 35,984,875</u>	<u>\$ 109,509,875</u>

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 6 - Long-term Debt (Continued)

Debt Service Requirements (Continued)

As discussed in Note 4, \$51,325,000 of Limited Tax General Obligation Bonds were issued in October 2002. The additional debt service requirements related to the Series 2002 bonds are as follows:

Years Ending September 30	General Obligations		
	Principal	Interest	Total
2003	\$ -	\$ 1,512,750	\$ 1,512,750
2004	-	2,269,118	2,269,118
2005	500,000	2,261,618	2,761,618
2006	825,000	2,241,743	3,066,743
2007	1,500,000	2,199,368	3,699,368
2008-2012	10,000,000	9,739,340	19,739,340
2013-2017	15,000,000	7,004,965	22,004,965
2018-2022	19,000,000	3,307,806	22,307,806
2023	4,500,000	106,875	4,606,875
Total	<u>\$ 51,325,000</u>	<u>\$ 30,643,583</u>	<u>\$ 81,968,583</u>

Interest

For the year ended September 30, 2002, interest expense for the Authority (net of amortization of deferred bond issuance costs and accretion of interest on capital appreciation bonds of \$769,748) totaled \$4,763,852. For the year ended September 30, 2001, interest expense for the Authority (net of amortization of deferred bond issuance costs and accretion of interest on capital appreciation bonds of \$89,285 and \$1,100,000, respectively) totaled \$4,933,498.

Defeased Debt

At October 1, 2001, the Authority's 1991 General Obligation Bonds consisted of the following amounts:

Non-capital appreciation bonds	\$ 73,865,000
Capital appreciation bonds	6,846,646
Total	<u>\$ 80,711,646</u>

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 6 - Long-term Debt (Continued)

On October 1, 2001, the Authority issued \$74,350,000 in sewage disposal system refunding bonds with an average interest rate of 4.8 percent; the proceeds were used to advance refund \$73,865,000 of non-capital appreciation bonds outstanding with an average interest rate of 6.6 percent. The net proceeds of \$74,909,711 (after payment of \$1,038,940 in underwriting fees, insurance, and other issuance costs) plus an additional \$1,039,689 of cash contributions from the townships were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent and will be used to pay off the entire amount of the non-capital appreciation bonds outstanding prior to September 30, 2002. The advance refunding reduced total debt service payments over the next 17 years by approximately \$13,000,000, which represents an economic gain of approximately \$8,000,000.

On August 1, 2002, the Authority defeased the remaining capital appreciation bonds, which had an imputed average interest rate of 6.7 percent. In order to defease the bonds, the Authority used \$10,613,227 (\$911,517 of cash contributions from the Townships and \$9,701,710 in accounts under the Indenture Trust for the Series 1991 Bonds) to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to be used to pay the debt service on each scheduled payment date through January 1, 2005. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the liability section of the balance sheet.

Note 7 - Lease Commitment

The Authority has entered into an agreement with the Ypsilanti Community Utilities Authority (YCUA), under which the Authority obtains certain rights to use a portion of the treatment capacity of the YCUA wastewater treatment plant. This agreement requires a rental payment on November 16 each year through November 16, 2033.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 7 - Lease Commitment (Continued)

Annual payment requirements for the above are as follows:

Years Ending September 30	Amount
2003	\$ 1,164,150
2004	1,125,477
2005	1,085,171
2006	1,041,915
2007	995,711
2008-2012	3,654,386
2013-2017	2,916,375
2018-2022	2,013,516
2023-2027	1,300,424
2028-2032	1,091,629
2033	191,667
Total	<u>\$ 16,580,421</u>

The Authority may renew this lease for two additional successive 33-year periods.

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for medical benefits provided to employees, and participates in the Michigan Municipal Risk Management Authority State Pool for claims relating to property loss, torts, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance in any of the past three years.

The Michigan Municipal Risk Management Authority State Pool operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2002 and 2001

Note 9 - Defined Contribution Retirement Plan

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Personnel Policies Manual, the Authority contributes 15 percent of employees' gross earnings and employees contribute 5 percent of earnings. In accordance with these requirements, for the fiscal years ended September 30, 2002 and 2001, the Authority contributed approximately \$32,100 and \$23,900, respectively.

Additional Information



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

To the Commissioners
Western Townships Utilities Authority

We have audited the basic financial statements of the Western Townships Utilities Authority for the years ended September 30, 2002 and 2001. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Western Townships Utilities Authority.

The schedule of expenditures - budget and actual has been prepared on the modified accrual basis of accounting, which is the basis of accounting used in preparation of the budget. The modified accrual method is a comprehensive basis of accounting used for governmental fund-type operations; it differs from accounting principles generally accepted in the United States of America for proprietary fund-type operations such as the Western Townships Utilities Authority.

The accompanying additional information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly presented, in all material respects, on the modified accrual basis of accounting in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 20, 2002

Western Townships Utilities Authority

Schedule of Expenditures Budget and Actual Year Ended September 30, 2002

	Original Budget	Final Amended		Variance
		Budget	Actual	Favorable (Unfavorable)
Sewage Treatment Charges	\$ 6,408,240	\$ 6,408,240	\$ 6,781,165	\$ (372,925)
Operation and Maintenance Costs	\$ 1,485,851	\$ 1,485,851	\$ 1,290,306	\$ 195,545
Administrative Costs				
Salaries	\$ 219,508	\$ 222,037	\$ 217,033	\$ 5,004
Benefits	89,077	89,657	88,364	1,293
Office expenses	50,360	50,360	48,674	1,686
Insurance	47,135	47,135	57,115	(9,980)
Bank and bond service fees	15,000	15,000	11,166	3,834
Consultants:				
Legal	69,000	69,000	37,643	31,357
Financial	50,000	50,000	34,020	15,980
Indirect engineering	100,000	100,000	87,935	12,065
Total administrative costs	\$ 640,080	\$ 643,189	\$ 581,950	\$ 61,239
Sewage Capacity Rental Costs	\$ 1,198,767	\$ 1,198,767	\$ 1,198,767	\$ -

The above schedule represents expenditures for the year based on the modified accrual basis of accounting, to be consistent with the basis of accounting used in preparation of the budget.

Western Townships Utilities Authority

Schedule of Indebtedness September 30, 2002

Limited Tax General Obligation Bonds

1991 Bond Issue (original principal \$94,476,646)

Interest Rate (Percent)	Date of Maturity January 1	Principal Debt Outstanding	
		September 30	
		2002	2001
6.65	2002	\$ -	\$ 1,902,358
6.70	2003	-	1,770,007
6.75	2004	-	1,649,781
6.85	2005	-	1,524,500
6.70	2006	-	3,660,000
6.50	2007	-	3,910,000
6.50	2008	-	4,160,000
6.50	2009	-	4,435,000
6.50	2010	-	4,715,000
6.75	2011	-	5,025,000
6.75	2012	-	5,365,000
6.75	2013	-	5,730,000
6.75	2014	-	6,115,000
6.75	2015	-	6,525,000
6.50	2016	-	6,965,000
6.50	2017	-	7,425,000
6.50	2018	-	7,820,000
6.50	2019	-	2,015,000
Total 1991 Issue		-	80,711,646

* Amount defeased by the Authority during the current year.

Western Townships Utilities Authority

Schedule of Indebtedness (Continued) September 30, 2002

Limited Tax General Obligation Bonds (Continued)

2001 Bond Issue (original principal \$74,350,000)

Interest Rate (Percent)	Date of Maturity January 1	Principal Debt Outstanding		Annual Interest Payable
		September 30		
		2002	2001	
4.00	2003	\$ 800,000	\$ -	\$ 3,623,500
4.00	2004	800,000	-	3,591,500
4.00	2005	900,000	-	3,557,500
5.25	2006	4,000,000	-	3,434,500
5.25	2007	4,000,000	-	3,224,500
5.25	2008	4,000,000	-	3,014,500
5.25	2009	4,500,000	-	2,791,375
5.25	2010	4,550,000	-	2,553,812
5.25	2011	5,000,000	-	2,303,125
5.25	2012	5,100,000	-	2,038,000
5.25	2013	5,500,000	-	1,759,750
5.25	2014	6,000,000	-	1,457,875
5.25	2015	6,200,000	-	1,137,625
5.25	2016	6,500,000	-	804,250
4.75	2017	6,800,000	-	472,125
3.50	2018	7,000,000	-	188,125
3.50	2019	1,875,000	-	32,813
	Total 2001 Issue	<u>73,525,000</u>	<u>-</u>	<u>35,984,875</u>
	Total Limited Tax General Obligation Bonds	<u>\$73,525,000</u>	<u>\$80,711,646</u>	<u>\$ 35,984,875</u>