

Western Townships Utilities Authority

**Financial Report
with Supplemental Information
September 30, 2005**

Western Townships Utilities Authority

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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, 2005 and 2004 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 opinions 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, 2005 and 2004 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's 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.

The accompanying supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is presented for the purpose of additional analysis. Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Townships Utilities Authority's basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

December 14, 2005



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 Townships. 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, footnotes, and supplemental information. 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. 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 assets. 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 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).

	Year Ended September 30				
	2001	2002	2003	2004	2005
Total costs charged to townships:					
Operating expenses - Net of unrestricted interest earnings	\$ 8,819,594	\$ 9,839,616	\$ 9,823,486	\$ 10,840,820	\$ 10,144,959
Total flow (thousands of gallons)*	5,984,018	5,839,753	5,380,039	5,478,451	5,476,001
Cost per thousand gallons	\$ 1.474	\$ 1.685	\$ 1.826	\$ 1.979	\$ 1.853

* For the purpose of this calculation, flow volumes are measured as the metered quantity of sewage transported to both treatment facilities.

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

WTUA currently transports the sewage to two treatment plants, the Ypsilanti Community Utilities Authority (YCUA) and the City of Detroit through the Wayne County/RVIS system. YCUA bills the Authority based upon actual sewage flow. A lookback is calculated by YCUA at the end of their fiscal year and charged or credited to the communities based upon their share of the sewage flow. Payments are made to Wayne County for sewage that is treated by the City of Detroit as Wayne County maintains the RVIS sewage transportation system. The Wayne County bill is based upon a percentage of the water purchased by the Authority's townships from Detroit, adjusted for water-only and sewer-only customers. Wayne County pays the City of Detroit for actual sewage flow. The City of Detroit also calculates a lookback at the end of their fiscal year, which is charged back or credited to the County, which is then allocated to the communities in the quarterly fixed charges.

Condensed Financial Information

The following table presents condensed information about the Authority's financial position compared to the prior year. The decrease in restricted assets and increase in capital assets is mainly due to the YCUA construction in process. As discussed above, the Authority charges its members only as cash or working capital is required.

	September 30			Change (2004 to 2005)	
	2003	2004	2005	Amount	Percent
Assets					
Current assets	\$ 3,376,392	\$ 3,355,688	\$ 2,991,043	\$ (364,645)	(10.9)
Restricted assets	54,893,637	27,513,286	9,653,665	(17,859,621)	(64.9)
Capital assets	<u>98,105,035</u>	<u>130,560,430</u>	<u>143,857,874</u>	<u>13,297,444</u>	10.2
Total assets	156,375,064	161,429,404	156,502,582	(4,926,822)	(3.1)
Liabilities					
Current liabilities	3,984,892	3,155,688	2,787,043	(368,645)	(11.7)
Other liabilities	5,599,991	10,807,876	9,800,475	(1,007,401)	(9.3)
Long-term liabilities	<u>118,225,767</u>	<u>117,466,415</u>	<u>112,961,740</u>	<u>(4,504,675)</u>	(3.8)
Total liabilities	<u>127,810,650</u>	<u>131,429,979</u>	<u>125,549,258</u>	<u>(5,880,721)</u>	(4.5)
Net Assets					
Invested in capital assets - Net of debt	8,556,347	16,796,624	26,827,191	10,030,567	59.7
Restricted assets	19,816,567	13,002,801	3,922,133	(9,080,668)	(69.8)
Unrestricted	<u>191,500</u>	<u>200,000</u>	<u>204,000</u>	<u>4,000</u>	2.0
Total net assets	<u>\$ 28,564,414</u>	<u>\$ 29,999,425</u>	<u>\$ 30,953,324</u>	<u>\$ 953,899</u>	3.2

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

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

	Year Ended September 30			Change (2004 to 2005)	
	2003	2004	2005	Amount	Percent
Earned revenue from townships	\$ 9,823,486	\$ 10,840,820	\$ 10,144,959	\$ (695,861)	(6.4)
Interest on operating cash and other revenue	13,351	6,060	27,634	21,574	356.0
Total revenue	9,836,837	10,846,880	10,172,593	(674,287)	(6.2)
Sewage treatment charges	6,705,725	7,929,408	7,475,196	(454,212)	(5.7)
Operation and maintenance	1,326,666	1,142,813	1,087,709	(55,104)	(4.8)
Administrative and other	630,796	640,682	520,517	(120,165)	(18.8)
Sewage capacity rental	1,164,150	1,125,477	1,085,171	(40,306)	(3.6)
Total operating expenses	9,827,337	10,838,380	10,168,593	(669,787)	(6.2)
Other nonoperating income	739,608	1,090,015	169,809	(920,206)	(84.4)
Net income - Before capital contributions	749,108	1,098,515	173,809	(924,706)	(84.2)
Contributions from townships	18,845,150	336,496	780,090	443,594	131.8
Change in net assets	<u>\$ 19,594,258</u>	<u>\$ 1,435,011</u>	<u>\$ 953,899</u>	<u>\$ (481,112)</u>	(33.5)

The decrease in sewage treatment charges were mainly due to a large lookback from YCUA. Sewage treatment charges without the YCUA lookback had a slight increase which was due mainly to price increases by both YCUA and Wayne County. Overall the volume billing for YCUA and Wayne County was comparable to the previous fiscal year. Operations and maintenance costs were down due to less costs required in maintenance of the collection system than required in the previous year. During the previous year, additional cleaning was needed in the section of the infrastructure that was scheduled for cleaning. Administrative expenses are down due to one less staff for nine months of the year. Nonoperating income is down mainly due to an increase in the depreciation expense for the year. The contributions from townships increased due to an increase in capital projects during the year to upgrade the pumping facilities.

Budgetary Highlights

During the year, the Authority made no amendments to its budget. Costs came in at 86 percent of the budget.

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

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

YCUA expansion (includes \$2,104,827 of capitalized interest)	\$ 15,821,977
Downstream control chamber - 90% complete	372,770
Variable frequency drive replacement	214,462
Pump stations instrumentation upgrade - 50% complete	128,269
Lower Rouge pump replacements - Design phase	50,000
Flow meter replacements	12,058
Other	<u>8,655</u>
Total capital project additions	<u><u>\$ 16,608,191</u></u>

The YCUA wastewater treatment plant expansion consists of two components: expansion of the main sewage treatment plant and construction of the UV disinfection system. The UV disinfection system was completed and operations were started during 2003. The expansion of the main plant is expected to be completed early in 2006. Components of the new plant are in operation and the remaining construction primarily involves updating components of the old plant. The downstream control chamber is being developed to accommodate the management of the flows from the Middle Rouge facility. Three of the variable frequency drives were replaced at the Lower Rouge facility. The upgrade to the instrumentation control panels at the Middle Rouge facility is nearing completion. Once complete, the control panels at Lower Rouge will be replaced. As a result, the Authority's total investment in capital assets increased to over \$165 million (before considering depreciation).

The expanded YCUA plant will have capacity sufficient to handle the majority of the Authority's anticipated member township sewage flows through the year 2025. WTUA's share of this expansion is currently estimated at approximately \$75 million. The townships have utilized current funds of approximately \$22 million, and the Authority issued \$51,325,000 in bonds in November 2002. In connection with this new financing, the Authority received a credit rating of AA from Standard and Poor's, exemplifying the strong financial position of our member communities. During the next fiscal year, additional funds of approximately \$1 million will be contributed by the townships toward the cost of the YCUA expansion.

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

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. The original goal when WTUA was organized was to be able to sell its capacity in the Wayne County/Detroit system once the expansion at YCUA was completed. Due to the growth in Canton Township being greater than previously planned, it is anticipated that the Township of Canton will retain its capacity in the Wayne County/Detroit sewage treatment system after the completion of the current YCUA expansion. WTUA is currently in the process of selecting an engineering firm to design additional storage capacity for the Lower Rouge facility. Additional expansion of the YCUA sewage treatment facility is also being explored.

Sewage treatment charges represent approximately 73 percent of the Authority's budget for the next fiscal year. The Authority's budget for the year ending September 30, 2006 forecasts a moderate increase in sewage flow volume and rates.

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.

Western Townships Utilities Authority

Statement of Net Assets

	September 30	
	2005	2004
Assets		
Cash (Note 4)	\$ 134,375	\$ 200
Due from members	1,376,656	1,846,597
Unbilled receivable:		
Debt service	1,448,406	1,461,156
Capital improvement	1,184	19,500
Prepaid expenses	30,422	28,235
Restricted assets:		
Cash and investments (Note 4)	9,634,579	27,463,274
Accrued interest receivable	19,086	50,012
Capital assets - Net (Note 5):		
Nondepreciable	64,189,719	63,249,182
Depreciable	<u>79,668,155</u>	<u>67,311,248</u>
Total assets	156,502,582	161,429,404
Liabilities		
Accounts payable	1,038,229	1,334,460
Accrued payables - Capital projects	15,000	30,000
Construction and retainers payable	233,730	215,224
Billing lookback - Due to members (Note 6)	66,678	144,848
Accrued interest payable	1,448,406	1,461,156
Long-term debt due within one year (Note 7)	4,504,675	1,079,675
Current liabilities payable from restricted assets:		
Construction retainers payable	3,494,470	3,387,970
Construction contracts payable	1,786,330	6,310,231
Long-term debt - Due in more than one year (Note 7)	<u>112,961,740</u>	<u>117,466,415</u>
Total liabilities	125,549,258	131,429,979
Net Assets		
Invested in capital assets - Net of related debt	26,827,191	16,796,624
Restricted for capital purposes	3,922,133	13,002,801
Unrestricted	<u>204,000</u>	<u>200,000</u>
Total net assets	<u>\$ 30,953,324</u>	<u>\$ 29,999,425</u>

Western Townships Utilities Authority

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended September 30	
	2005	2004
Operating Revenue		
Earned revenue from townships	\$ 10,144,959	\$ 10,840,820
Interest earned on operating cash and other revenue	27,634	6,060
Total operating revenue	10,172,593	10,846,880
Operating Expenses		
Sewage treatment charges	7,475,196	7,929,408
Operation and maintenance	1,087,709	1,142,813
Administrative and other	520,517	640,682
Sewage capacity rental	1,085,171	1,125,477
Total operating expenses	10,168,593	10,838,380
Operating Income	4,000	8,500
Nonoperating Revenue (Expenses)		
Interest earnings on restricted assets	143,006	234,833
Debt billings to townships	7,206,375	6,652,624
Interest expense	(3,548,500)	(3,583,499)
Depreciation	(3,310,747)	(1,893,618)
Amortization	(320,325)	(320,325)
Total nonoperating revenue	169,809	1,090,015
Net Income - Before capital contributions	173,809	1,098,515
Capital Contributions from Townships	780,090	336,496
Change in Net Assets	953,899	1,435,011
Net Assets - Beginning of year	29,999,425	28,564,414
Net Assets - End of year	\$ 30,953,324	\$ 29,999,425

Western Townships Utilities Authority

Statement of Cash Flows

	Year Ended September 30	
	2005	2004
Cash Flows from Operating Activities		
Cash received from townships	\$ 10,536,730	\$ 10,989,251
Cash payments to suppliers for goods and services	(10,149,168)	(10,646,015)
Cash payments to employees for services	(317,843)	(389,240)
Net cash provided by (used in) operating activities	69,719	(46,004)
Cash Flows from Capital and Related Financing Activities		
Collection of debt billings to townships	7,219,125	6,660,625
Principal and interest paid on long-term debt	(7,219,125)	(6,660,625)
Capital contributions from members	798,406	317,668
Payments for the acquisition or construction of capital assets	(18,917,258)	(28,205,937)
Net cash used in capital and related financing activities	(18,118,852)	(27,888,269)
Cash Flows from Investing Activities - Interest received on investments	354,613	547,631
Net Decrease in Cash and Cash Equivalents	(17,694,520)	(27,386,642)
Cash and Cash Equivalents - Beginning of year	27,463,474	54,850,116
Cash and Cash Equivalents - End of year	<u>\$ 9,768,954</u>	<u>\$ 27,463,474</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 4,000	\$ 8,500
Less interest and other income included in operating revenue	(27,634)	(6,060)
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Decrease (increase) in due from members - Monthly billings	469,941	(73,443)
Decrease in due from members - Billing lookback	-	77,026
Increase in prepaid expenses	(2,187)	(24,811)
Decrease in accounts payable	(296,231)	(172,064)
(Decrease) increase in due to members - Billing lookback	(78,170)	144,848
Net cash provided by (used in) operating activities	<u>\$ 69,719</u>	<u>\$ (46,004)</u>
Balance Sheet Classification of Cash and Cash Equivalents		
Unrestricted cash	\$ 134,375	\$ 200
Restricted cash and investments	9,634,579	27,463,274
Total cash and cash equivalents	<u>\$ 9,768,954</u>	<u>\$ 27,463,474</u>

There were no noncash transactions during the years ended September 30, 2005 or 2004.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

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. The Authority has elected not to follow private sector standards issued after November 30, 1989.

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.

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.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

Due from Members - Due from members represents amounts that will be collected from the three townships to pay for the Authority's operational and administrative costs and for reimbursement of capital-related costs.

Unbilled Receivable - Unbilled receivable represents amounts that have not been billed to the townships for debt service and capital projects as of the end of the year. The Authority has accrued interest payable in an amount equal to the unbilled receivable for debt service.

Restricted Assets - Certain assets are restricted by the Authority's bond ordinance. When an expense is incurred that allows the use of restricted assets, those assets are applied before utilizing any unrestricted assets.

Capital Assets - All capital assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such capital assets is charged as an expense against the operations of the Authority.

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

Land restoration	15 years
Utility system:	
Equalization basin and pump station	10-40 years
Sewage transmission lines	60 years
Equity in YCUA	40 years
Furniture and equipment	5-7 years

Reclassifications - Certain items in the September 30, 2004 financial statements have been reclassified to conform with classifications used in 2005. These classifications had no effect on the September 30, 2004 net assets, changes in net assets, or cash flows as previously reported.

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

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information - An annual budget is adopted on the modified accrual basis of accounting, which 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 annual budget is prepared by the Authority's accountant and is adopted by the Authority's Board of Commissioners; subsequent amendments are approved by the Authority's Board of Commissioners.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operating expenditures to the budget adopted by the Board of Commissioners for the Enterprise Fund is included in the supplemental information.

There were no significant budget overruns at September 30, 2005 and 2004.

Note 4 - 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 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 two banks 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.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 4 - Deposits and Investments (Continued)

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 government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$2,418,100 of bank deposits (certificates of deposit, 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 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.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the maturities of investments are as follows:

Investment	Fair Value	Maturity
U.S. agency securities	\$ 268,175	2/15/2029
U.S. agency securities	400,631	12/15/2012
Municipal bond	1,000,000	3/1/2007

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority's investment policy does not further limit its investment choices. As of year end, 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:			
Fifth Third	\$ 773,055	AAAm	S&P
National City	1,077,000	Not rated	N/A
LaSalle	4,097,919	Aaa	Moody's
Municipal bond	1,000,000	MIGI	Moody's
U.S. agency securities	668,806	Not rated	N/A

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 5 - Capital Assets

Capital asset activity for the year ended September 30, 2005 was as follows:

	2004	Increase	Decrease	2005
Capital assets not being depreciated:				
Land	\$ 2,136,913	\$ -	\$ -	\$ 2,136,913
Construction in progress:				
Equity in YCUA sewage plant	61,049,919	15,821,977	(15,412,979)	61,458,917
Other capital projects	62,350	551,039	(19,500)	593,889
Subtotal	63,249,182	16,373,016	(15,432,479)	64,189,719
Capital assets being depreciated:				
Land restoration costs	2,412,243	-	-	2,412,243
Utility system:				
Sewage transmission lines	43,090,147	-	(845)	43,089,302
Equalization basin and pump station	37,050,800	243,462	(161,250)	37,133,012
Equity in YCUA	3,445,892	15,412,979	-	18,858,871
Furniture and equipment	84,418	12,058	-	96,476
Subtotal	86,083,500	15,668,499	(162,095)	101,589,904
Less accumulated depreciation for:				
Land restoration costs	(1,728,774)	(160,816)	-	(1,889,590)
Utility system:				
Sewage transmission lines	(7,183,034)	(957,609)	-	(8,140,643)
Equalization basin and pump station	(9,590,716)	(1,903,305)	161,250	(11,332,771)
Equity in YCUA	(230,285)	(278,264)	-	(508,549)
Furniture and equipment	(39,443)	(10,753)	-	(50,196)
Subtotal	(18,772,252)	(3,310,747)	161,250	(21,921,749)
Net capital assets being depreciated	67,311,248	12,357,752	(845)	79,668,155
Total capital assets - Net of depreciation	<u>\$ 130,560,430</u>	<u>\$ 28,730,768</u>	<u>\$ (15,433,324)</u>	<u>\$ 143,857,874</u>

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 5 - 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:

	<u>Total</u>		<u>Remaining</u>
	<u>Commitment</u>	<u>Spent to Date</u>	<u>Commitment</u>
YCUA plant expansion	\$75,364,896	\$70,319,102	\$ 5,045,794

In addition to the above costs, engineering and design costs for the YCUA plant expansion have been incurred in the amount of \$3,328,826. This phase of the project was complete as of September 30, 2002.

The majority of the costs associated with the plant expansion are being financed 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, 2005 and 2004

Note 6 - Due to Members - Billing Lookback

At September 30, 2005 and 2004, the amount due to member townships is as follows:

	<u>2005</u>	<u>2004</u>
Operating activities:		
Monthly billings	\$ 10,211,637	\$ 10,985,668
Actual operating expenses - Net of interest earnings and planned working capital addition	<u>(10,144,959)</u>	<u>(10,840,820)</u>
Total operating activities	66,678	144,848
Debt activities:		
Debt invoiced to townships for 2001 bond issue	4,457,500	4,391,500
Debt invoiced to townships for 2002 bond issue	2,761,625	2,269,125
Semiannual principal and interest payments on debt	<u>(7,219,125)</u>	<u>(6,660,625)</u>
Total debt activities	-	-
Capital activities:		
Billed as part of the monthly invoices	801,214	336,496
Cash paid for capital asset acquisitions	<u>(801,214)</u>	<u>(336,496)</u>
Total capital activities	-	-
Total billing lookback to townships	<u>\$ 66,678</u>	<u>\$ 144,848</u>

In addition, approximately \$9,100,000 and \$26,900,000 as of September 30, 2005 and 2004, respectively, was being held in trust related to the YCUA expansion project.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 7 - Long-term Debt

Long-term debt activity for the year ended September 30, 2005 was as follows:

	Beginning Balance	Current Year Reductions	Ending Balance	Due Within One Year
2001 General Obligation Bond, with interest rates from 3.5% to 5.25%, maturing through 2019 (used to fund the WTUA collection system)	\$ 71,925,000	\$ (900,000)	\$ 71,025,000	\$ 4,000,000
2002 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2023 (used to fund the YCUA plant expansion)	51,325,000	(500,000)	50,825,000	825,000
Less:				
Deferred amount on 2001 refunding	(4,068,440)	285,505	(3,782,935)	(285,505)
Unamortized bond issue costs on 2002 issue	(171,000)	9,370	(161,630)	(9,370)
Unamortized discount on 2002 issue	(464,470)	25,450	(439,020)	(25,450)
Total long-term debt	<u>\$ 118,546,090</u>	<u>\$ (1,079,675)</u>	<u>\$ 117,466,415</u>	<u>\$ 4,504,675</u>

Debt Service Requirements

The annual principal and interest requirements to service all debt outstanding as of September 30, 2005 are as follows:

Years Ending September 30	Principal	Interest	Total
2006	\$ 4,825,000	\$ 5,676,250	\$ 10,501,250
2007	5,500,000	5,423,875	10,923,875
2008	5,500,000	5,146,375	10,646,375
2009	6,500,000	4,835,750	11,335,750
2010	6,550,000	4,498,187	11,048,187
2011-2015	40,800,000	16,902,000	57,702,000
2016-2020	39,675,000	6,420,751	46,095,751
2021-2023	12,500,000	909,375	13,409,375
Total	<u>\$ 121,850,000</u>	<u>\$ 49,812,563</u>	<u>\$ 171,662,563</u>

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 7 - Long-term Debt (Continued)

Interest

For the year ended September 30, 2005, interest incurred by the Authority (net of interest earned on bond proceeds of \$153,047) totaled \$5,653,328, of which \$2,104,828 was capitalized. For the year ended September 30, 2004, interest incurred by the Authority (net of interest earned on bond proceeds of \$260,270) totaled \$5,592,354, of which \$2,008,855 was capitalized.

Note 8 - 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 17 each year through November 17, 2098.

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 8 - Lease Commitment (Continued)

Annual payment requirements for the above are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2006	\$ 1,041,915
2007	995,711
2008	780,672
2009	757,353
2010	732,445
2011-2015	3,234,109
2016-2020	2,392,132
2021-2025	1,495,370
2026-2030	1,173,254
2031-2035	956,666
2036-2040	698,325
2041-2045	440,485
2046-2050	424,089
2051-2055	448,276
2056-2060	472,464
2061-2065	496,651
2066-2070	520,839
2071-2075	545,026
2076-2080	569,214
2081-2085	593,401
2086-2090	617,589
2091-2095	641,776
2096-2099	<u>530,836</u>
Total	<u>\$ 20,558,598</u>

Western Townships Utilities Authority

Notes to Financial Statements September 30, 2005 and 2004

Note 9 - 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.

Note 10 - 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. Employees are 100 percent vested after a period of five years. In accordance with these requirements, for the fiscal years ended September 30, 2005 and 2004, the Authority contributed approximately \$24,400 and \$35,500, respectively.

Supplemental Information

Western Townships Utilities Authority

Schedule of Operating Expenditures Budget and Actual Year Ended September 30, 2005

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Sewage Treatment Charges	<u>\$ 8,553,813</u>	<u>\$ 8,553,813</u>	<u>\$ 7,475,196</u>	<u>\$ 1,078,617</u>
Operation and Maintenance Costs	<u>\$ 1,420,549</u>	<u>\$ 1,420,549</u>	<u>\$ 1,087,709</u>	<u>\$ 332,840</u>
Administrative Costs				
Salaries	\$ 316,982	\$ 316,982	\$ 217,825	\$ 99,157
Benefits	133,900	133,900	97,454	36,446
Office expenses	61,200	61,200	30,942	30,258
Insurance	105,000	105,000	101,123	3,877
Bank and bond service fees	10,000	10,000	4,519	5,481
Consultants:				
Legal	50,000	50,000	40,638	9,362
Financial	41,230	41,230	15,020	26,210
Indirect engineering	<u>34,000</u>	<u>34,000</u>	<u>12,996</u>	<u>21,004</u>
Total administrative costs	<u>\$ 752,312</u>	<u>\$ 752,312</u>	<u>\$ 520,517</u>	<u>\$ 231,795</u>
Sewage Capacity Rental Costs	<u>\$ 1,085,171</u>	<u>\$ 1,085,171</u>	<u>\$ 1,085,171</u>	<u>\$ -</u>

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

Western Townships Utilities Authority

Schedule of Indebtedness September 30, 2005

Limited Tax General Obligation Bonds

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

Interest Rate (Percent)	Date of Maturity January 1	Principal Debt Outstanding		Annual Interest Payable
		September 30		
		2005	2004	
4.00	2005	\$ -	\$ 900,000	\$ 3,557,500
5.25	2006	4,000,000	4,000,000	3,434,500
5.25	2007	4,000,000	4,000,000	3,224,500
5.25	2008	4,000,000	4,000,000	3,014,500
5.25	2009	4,500,000	4,500,000	2,791,375
5.25	2010	4,550,000	4,550,000	2,553,812
5.25	2011	5,000,000	5,000,000	2,303,125
5.25	2012	5,100,000	5,100,000	2,038,000
5.25	2013	5,500,000	5,500,000	1,759,750
5.25	2014	6,000,000	6,000,000	1,457,875
5.25	2015	6,200,000	6,200,000	1,137,625
5.25	2016	6,500,000	6,500,000	804,250
4.75	2017	6,800,000	6,800,000	472,125
3.50	2018	7,000,000	7,000,000	188,125
3.50	2019	1,875,000	1,875,000	32,813
	Total 2001 Issue	71,025,000	71,925,000	28,769,875

Western Townships Utilities Authority

Schedule of Indebtedness (Continued) September 30, 2005

Limited Tax General Obligation Bonds (Continued)

2002 Bond Issue (original principal \$51,325,000)

Interest Rate (Percent)	Date of Maturity January 1	Principal Debt Outstanding		Annual Interest Payable
		September 30		
		2005	2004	
3.00	2005	\$ -	\$ 500,000	\$ 2,261,625
3.00	2006	825,000	825,000	2,241,750
4.00	2007	1,500,000	1,500,000	2,199,375
5.00	2008	1,500,000	1,500,000	2,131,875
5.00	2009	2,000,000	2,000,000	2,044,375
5.00	2010	2,000,000	2,000,000	1,944,375
4.00	2011	2,000,000	2,000,000	1,854,375
4.00	2012	2,500,000	2,500,000	1,764,375
5.00	2013	2,500,000	2,500,000	1,651,875
4.00	2014	3,000,000	3,000,000	1,529,375
4.25	2015	3,000,000	3,000,000	1,405,625
4.25	2016	3,000,000	3,000,000	1,278,125
4.25	2017	3,500,000	3,500,000	1,140,000
4.25	2018	3,500,000	3,500,000	991,250
4.375	2019	3,500,000	3,500,000	840,313
4.50	2020	4,000,000	4,000,000	673,750
4.50	2021	4,000,000	4,000,000	493,750
4.75	2022	4,000,000	4,000,000	308,750
4.75	2023	4,500,000	4,500,000	106,875
	Total 2002 Issue	<u>50,825,000</u>	<u>51,325,000</u>	<u>26,861,813</u>
	Total Limited Tax General Obligation Bonds	<u>\$ 121,850,000</u>	<u>\$ 123,250,000</u>	<u>\$ 55,631,688</u>