

# **Western Townships Utilities Authority**

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**Financial Report  
with Supplemental Information  
September 30, 2009**

# Western Townships Utilities Authority

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**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 (the "Authority") as of September 30, 2009 and 2008 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2009 and 2008 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 the 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 the 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*

January 14, 2010

# 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).

	2005	2006	2007	2008	2009
Total costs charged to townships:					
Operating expenses - Net of unrestricted interest earnings	\$ 10,144,959	\$ 10,071,697	\$ 11,756,702	\$ 11,769,037	\$ 12,625,314
Total flow (thousands of gallons)*	5,476,001	5,737,867	5,855,172	5,854,103	5,792,600
Cost per thousand gallons	\$ 1.853	\$ 1.755	\$ 2.008	\$ 2.010	\$ 2.180

\* 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 its fiscal year and charged or credited to the Authority based upon its 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. A quarterly bill is also paid to Wayne County that covers fixed and excess flow charges. Wayne County pays the City of Detroit for actual sewage flow. The City of Detroit also calculates a lookback at the end of its fiscal year, which is charged back or credited to the County, which is then allocated to the communities in the quarterly charges.

### Condensed Financial Information

The following table presents condensed information about the Authority's financial position compared to the prior two years. The increase in net assets is mainly due to the Lower Rouge expansion that started in 2008. The decrease in current assets and current liabilities also relates to the wind down of this project which was 95% complete at year end. Costs for this project are being paid for by Canton Township. Canton Township issued bonds to pay for this project. As discussed above, the Authority charges its members only as cash or working capital is required.

TABLE I	September 30			Change (2008 to 2009)	
	2007	2008	2009	Amount	Percent
<b>Assets</b>					
Current assets	\$ 2,890,046	\$ 6,270,134	\$ 3,543,145	\$ (2,726,989)	(43.5)
Restricted assets	940,911	1,632,500	1,872,918	240,418	14.7
Capital assets	148,358,789	155,006,231	164,706,098	9,699,867	6.3
Total assets	152,189,746	162,908,865	170,122,161	7,213,296	4.4
<b>Liabilities</b>					
Current liabilities	2,686,046	6,066,134	3,339,145	(2,726,989)	(45.0)
Other liabilities	207,611	928,457	1,222,071	293,614	31.6
Long-term liabilities	107,782,065	102,602,390	96,422,715	(6,179,675)	(6.0)
Total liabilities	110,675,722	109,596,981	100,983,931	(8,613,050)	(7.9)
<b>Net Assets</b>					
Invested in capital assets - Net of debt	40,576,724	52,403,842	68,283,383	15,879,541	30.3
Restricted	733,300	704,042	650,847	(53,195)	(7.6)
Unrestricted	204,000	204,000	204,000	-	-
Total net assets	<u>\$41,514,024</u>	<u>\$53,311,884</u>	<u>\$69,138,230</u>	<u>\$15,826,346</u>	29.7

# 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 years:

TABLE 2	Year Ended September 30			Change (2008 to 2009)	
	2007	2008	2009	Amount	Percent
Earned revenue from townships	\$ 11,756,702	\$ 11,769,037	\$ 12,625,314	\$ 856,277	7.3
Interest on operating cash and other revenue	54,843	35,003	7,114	(27,889)	(79.7)
Total revenue	11,811,545	11,804,040	12,632,428	828,388	7.0
Sewage treatment charges	8,918,445	8,969,957	9,567,876	597,919	6.7
Operation and maintenance	1,434,018	1,545,658	1,433,534	(112,124)	(7.3)
Administrative	463,371	507,753	873,665	365,912	72.1
Sewage capacity rental	995,711	780,672	757,353	(23,319)	(3.0)
Total operating expenses	11,811,545	11,804,040	12,632,428	828,388	7.0
Other nonoperating income	517,011	622,267	1,813,469	1,191,202	191.4
Net income - Before capital contributions	517,011	622,267	1,813,469	1,191,202	191.4
Contributions from townships	3,414,612	11,175,593	14,012,877	2,837,284	25.4
Change in net assets	<b>\$ 3,931,623</b>	<b>\$ 11,797,860</b>	<b>\$ 15,826,346</b>	<b>\$ 4,028,486</b>	34.1

Sewage treatment charges increased 6.7 percent this year. This was mostly due to rate increases by both YCUA and Wayne County. The total volume of sewage flow decreased by 1.1 percent. Operations and maintenance costs were down due to less electrical usage and a decrease in usage and cost of chemicals. There were also less costs associated with the line cleaning of the collection system and meter purchases this year. Administrative costs were up mainly due to fees associated with the arbitration with YCUA. The increase in other operating income is mostly due to an increase in billings to the townships for debt which was a result of an increase in principal payments.

### Budgetary Highlights

During the year, the Authority made two budget amendments. The amendments did not increase the total budget. The amendments were to reallocate the budget among the departments, allocating more of the budget to the administrative department to cover the larger than expected costs of the arbitration. Costs came in at 90.4 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:

Lower Rouge equalization basin expansion	\$ 12,960,574
Middle Rouge screw pump replacement	1,056,303
YCUA expansion	<u>53,354</u>
Total capital project additions	<u>\$ 14,070,231</u>

The Lower Rouge equalization basin expansion project will increase the storage capacity at the Lower Rouge facility by 5.5 mg as well as installing three new pumps. Construction started in early 2008 and final completion is expected in mid 2010. The Middle Rouge screw pump replacement project is to replace the remaining two screw pumps. Four pumps have already been replaced. The project is expected to be completed in January 2010.

The YCUA wastewater treatment plant expansion is complete and was put in operation during 2006. The project has remained open until the resolution of YCUA's lawsuit concerning the odor control equipment.

As a result, the Authority's total investment in capital assets increased to over \$201 million (before considering depreciation).

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

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, the Township of Canton will retain its capacity in the Wayne County/Detroit sewage treatment system despite the completion of the current YCUA expansion. Northville Township and Plymouth Township have also decided to keep part of their capacity in the Wayne County RVIS system. Construction started in 2008 for additional storage capacity for the Lower Rouge facility. Current estimated cost for this expansion is approximately \$28.2 million. The costs for the equalization basin will be paid by Canton Township, which has bonded funds to pay for this expansion.

Sewage treatment charges represent approximately 75 percent of the Authority's operating budget for the next fiscal year. The Authority's operating budget for the year ending September 30, 2010 forecasts a moderate increase in sewage flow volume and rates.

On October 28, 2009, the Authority issued a bond to refund the 2001 Bonds on January 1, 2010. The net present value savings of this refinancing will save the Authority approximately \$3.5 million over the next 10 years.

# **Western Townships Utilities Authority**

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## **Management's Discussion and Analysis (Continued)**

### **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	
	2009	2008
<b>Assets</b>		
Current assets:		
Cash (Note 4)	\$ 251,872	\$ 264,730
Accounts receivable:		
Due from members	2,025,189	4,204,316
Due from other governmental entities	-	387,294
Other	41	39,515
Billing lookback - Due from members (Note 7)	3,904	-
Unbilled receivable:		
Debt service	1,166,907	1,250,967
Capital improvement	35,033	12,653
Prepaid expenses	60,199	110,659
Total current assets	<u>3,543,145</u>	<u>6,270,134</u>
Noncurrent assets - Restricted:		
Cash and investments (Notes 4 and 5)	1,872,918	1,632,353
Accrued interest receivable	-	147
Capital assets - Net (Note 6):		
Nondepreciable	28,687,293	14,714,366
Depreciable	136,018,805	140,291,865
Total noncurrent assets	<u>166,579,016</u>	<u>156,638,731</u>
Total assets	<u>170,122,161</u>	<u>162,908,865</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	1,211,710	1,233,684
Accrued payables - Payroll and compensated absences	30,903	20,754
Construction and retainers payable	929,625	2,937,092
Billing lookback - Due to members (Note 7)	-	623,637
Accrued interest payable	1,166,907	1,250,967
Total current liabilities	<u>3,339,145</u>	<u>6,066,134</u>
Noncurrent liabilities:		
Current liabilities payable from restricted assets:		
Construction retainers payable	1,206,392	928,326
Construction contracts payable	15,679	131
Long-term debt - Due within one year and due in more than one year (Note 8)	96,422,715	102,602,390
Total noncurrent liabilities	<u>97,644,786</u>	<u>103,530,847</u>
Total liabilities	<u>100,983,931</u>	<u>109,596,981</u>
<b>Net Assets</b>		
Invested in capital assets - Net of related debt	68,283,383	52,403,842
Restricted for capital purposes	650,847	704,042
Unrestricted	204,000	204,000
Total net assets	<u>\$ 69,138,230</u>	<u>\$ 53,311,884</u>

# Western Townships Utilities Authority

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

	Year Ended September 30	
	2009	2008
<b>Operating Revenue</b>		
Earned revenue from townships	\$ 12,625,314	\$ 11,769,037
Interest earned on operating cash	7,114	35,003
Total operating revenue	<u>12,632,428</u>	<u>11,804,040</u>
<b>Operating Expenses</b>		
Sewage treatment charges	9,567,876	8,969,957
Operation and maintenance	1,433,534	1,545,658
Administrative	873,665	507,753
Sewage capacity rental	757,353	780,672
Total operating expenses	<u>12,632,428</u>	<u>11,804,040</u>
<b>Operating Income</b>	<u>-</u>	<u>-</u>
<b>Nonoperating Revenue (Expenses)</b>		
Interest earnings on restricted assets	158	3,487
Disposal of assets	(7,930)	(6,318)
Debt billings to townships	11,251,690	10,575,125
Interest expense	(4,751,690)	(5,075,125)
Depreciation	(4,358,434)	(4,554,577)
Amortization	(320,325)	(320,325)
Total nonoperating revenue	<u>1,813,469</u>	<u>622,267</u>
<b>Net Income - Before capital contributions</b>	1,813,469	622,267
<b>Capital Contributions from Townships</b>	<u>14,012,877</u>	<u>11,175,593</u>
<b>Increase in Net Assets</b>	15,826,346	11,797,860
<b>Net Assets - Beginning of year</b>	<u>53,311,884</u>	<u>41,514,024</u>
<b>Net Assets - End of year</b>	<u><u>\$ 69,138,230</u></u>	<u><u>\$ 53,311,884</u></u>

# Western Townships Utilities Authority

## Statement of Cash Flows

	Year Ended September 30	
	2009	2008
<b>Cash Flows from Operating Activities</b>		
Cash received from townships	\$ 12,151,562	\$ 12,301,291
Cash payments to suppliers for goods and services	(11,886,516)	(12,040,537)
Cash payments for employee services	(280,509)	(269,680)
Net cash used in operating activities	<u>(15,463)</u>	<u>(8,926)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Collection of debt billings to townships	11,335,750	10,646,375
Principal and interest paid on long-term debt	(11,335,750)	(10,646,375)
Capital contributions from members	16,015,835	8,444,354
Payments for the acquisition or construction of capital assets	(15,784,084)	(7,671,979)
Proceeds from sale of assets	4,000	8,000
Net cash provided by capital and related activities	<u>235,751</u>	<u>780,375</u>
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>7,419</u>	<u>38,993</u>
<b>Net Increase in Cash and Cash Equivalents</b>	227,707	810,442
<b>Cash and Cash Equivalents</b> - Beginning of year	<u>1,897,083</u>	<u>1,086,641</u>
<b>Cash and Cash Equivalents</b> - End of year	<u><b>\$ 2,124,790</b></u>	<u><b>\$ 1,897,083</b></u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>		
Unrestricted cash	\$ 251,872	\$ 264,730
Restricted cash and investments	<u>1,872,918</u>	<u>1,632,353</u>
Total cash and cash equivalents	<u><b>\$ 2,124,790</b></u>	<u><b>\$ 1,897,083</b></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ -	\$ -
Less interest and other income included in operating revenue	(7,114)	(35,003)
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Increase (decrease) in due from members - Monthly billings	149,789	(180,244)
(Increase) decrease in accounts receivable - Non-members	426,768	(426,717)
(Increase) decrease in prepaid expenses	50,460	(83,649)
Decrease (increase) in due from members - Billing lookback	(7,904)	96,861
Decrease in accounts payable	(21,974)	(2,474)
Increase in accrued payroll	10,149	6,663
Increase (decrease) in due to members - Billing lookback	(615,637)	615,637
Net cash used in operating activities	<u><b>\$ (15,463)</b></u>	<u><b>\$ (8,926)</b></u>

There were no noncash transactions during the years ended September 30, 2009 and 2008.

# Western Townships Utilities Authority

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## Notes to Financial Statements September 30, 2009 and 2008

### Note 1 - Nature of Entity

Western Townships Utilities Authority (the "Authority" or WTUA) 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, 2009 and 2008

### 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** - The Authority has funds set aside for the YCUA expansion and to pay retainages associated with various construction contracts and, as such, these amounts have been classified as restricted assets. When an expense is incurred that allows the use of restricted assets, those assets are applied before utilizing any unrestricted assets. The board has also set aside cash for emergency replacement of critical assets. These also are classified as restricted assets.

**Capital Assets** - Generally, purchases for capital outlay exceeding \$5,000 are capitalized. 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 Ypsilanti Community Utilities Authority (YCUA)	40 years
Furniture and equipment	5-7 years

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

# Western Townships Utilities Authority

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## Notes to Financial Statements September 30, 2009 and 2008

### **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 Western Townships Utilities Authority. The annual budget is prepared by the Authority's accountant and is adopted by the Authority's board of commissioners and member townships; 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 budget overruns at September 30, 2009 and 2008.

### **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 three 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, 2009 and 2008

### 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 Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At September 30, 2009, the Authority had \$906,529 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At September 30, 2008, the Authority had \$642,465 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

#### 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	2009 Fair Value	2008 Fair Value	Rating	Rating Organization
Bank investment pool:				
National City	\$ -	\$ 841,000	Not rated	N/A
U.S. Bank	89,826	313,188	Aaa	Moody's
JPMorgan Chase	1,262,088	-	Aaa	Moody's

### Note 5 - Restricted Assets

As of September 30, 2009 and 2008, restricted assets are restricted for the following:

	2009	2008
Capital replacement reserve	\$ 576,700	\$ 576,700
YCUA expansion	89,826	127,327
Payment of construction retainages	1,206,392	928,326
Total	\$ 1,872,918	\$ 1,632,353

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2009 and 2008

### Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2009 was as follows:

	2008	Increase	Decrease	2009
Capital assets not being depreciated:				
Land	\$ 2,136,913	\$ -	\$ -	\$ 2,136,913
Construction in progress - Capital projects	<u>12,577,453</u>	<u>14,016,877</u>	<u>(43,950)</u>	<u>26,550,380</u>
Subtotal	<u>14,714,366</u>	<u>14,016,877</u>	<u>(43,950)</u>	<u>28,687,293</u>
Capital assets being depreciated:				
Land restoration costs	2,412,243	-	-	2,412,243
Utility system:				
Sewage transmission lines	44,036,594	43,950	(12,500)	44,068,044
Equalization basin and pump station	38,939,007	-	(925,338)	38,013,669
Equity in YCUA	88,111,426	53,354	-	88,164,780
Furniture and equipment	<u>116,164</u>	<u>-</u>	<u>-</u>	<u>116,164</u>
Subtotal	<u>173,615,434</u>	<u>97,304</u>	<u>(937,838)</u>	<u>172,774,900</u>
Less accumulated depreciation for:				
Land restoration costs	(2,372,038)	(40,205)	-	(2,412,243)
Utility system:				
Sewage transmission lines	(10,299,378)	(746,344)	12,500	(11,033,222)
Equalization basin and pump station	(14,314,862)	(1,357,554)	913,408	(14,759,008)
Equity in YCUA	(6,244,868)	(2,203,678)	-	(8,448,546)
Furniture and equipment	<u>(92,423)</u>	<u>(10,653)</u>	<u>-</u>	<u>(103,076)</u>
Subtotal	<u>(33,323,569)</u>	<u>(4,358,434)</u>	<u>925,908</u>	<u>(36,756,095)</u>
Net capital assets being depreciated	<u>140,291,865</u>	<u>(4,261,130)</u>	<u>(11,930)</u>	<u>136,018,805</u>
Total capital assets - Net of depreciation	<u>\$ 155,006,231</u>	<u>\$ 9,755,747</u>	<u>\$ (55,880)</u>	<u>\$ 164,706,098</u>

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2009 and 2008

### Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended September 30, 2008 was as follows:

	2007	Increase	Decrease	2008
Capital assets not being depreciated:				
Land	\$ 2,136,913	\$ -	\$ -	\$ 2,136,913
Construction in progress - Capital projects	<u>1,414,171</u>	<u>11,164,493</u>	<u>(1,211)</u>	<u>12,577,453</u>
Subtotal	<u>3,551,084</u>	<u>11,164,493</u>	<u>(1,211)</u>	<u>14,714,366</u>
Capital assets being depreciated:				
Land restoration costs	2,412,243	-	-	2,412,243
Utility system:				
Sewage transmission lines	44,036,594	-	-	44,036,594
Equalization basin and pump station	38,966,422	20,311	(47,726)	38,939,007
Equity in YCUA	88,078,682	32,744	-	88,111,426
Furniture and equipment	<u>117,224</u>	<u>-</u>	<u>(1,060)</u>	<u>116,164</u>
Subtotal	<u>173,611,165</u>	<u>53,055</u>	<u>(48,786)</u>	<u>173,615,434</u>
Less accumulated depreciation for:				
Land restoration costs	(2,211,222)	(160,816)	-	(2,372,038)
Utility system:				
Sewage transmission lines	(9,552,086)	(747,292)	-	(10,299,378)
Equalization basin and pump station	(12,919,250)	(1,429,020)	33,408	(14,314,862)
Equity in YCUA	(4,042,342)	(2,202,526)	-	(6,244,868)
Furniture and equipment	<u>(78,560)</u>	<u>(14,923)</u>	<u>1,060</u>	<u>(92,423)</u>
Subtotal	<u>(28,803,460)</u>	<u>(4,554,577)</u>	<u>34,468</u>	<u>(33,323,569)</u>
Net capital assets being depreciated	<u>144,807,705</u>	<u>(4,501,522)</u>	<u>(14,318)</u>	<u>140,291,865</u>
Total capital assets - Net of depreciation	<u>\$ 148,358,789</u>	<u>\$ 6,662,971</u>	<u>\$ (15,529)</u>	<u>\$ 155,006,231</u>

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2009 and 2008

### Note 6 - Capital Assets (Continued)

**Construction Commitments** - The Authority has two active construction projects at year end. The Lower Rouge equalization basin expansion project is to increase the storage capacity at the Lower Rouge facility. The Middle Rouge pump replacements are to replace the two remaining malfunctioning screw pumps. At year end, the Authority's commitments with contractors are as follows:

	Total Commitment	Spent to Date	Remaining Commitment
Lower Rouge equalization basin expansion	\$ 25,640,896	\$ 23,803,853	\$ 1,837,043
Middle Rouge pump replacements	<u>1,044,294</u>	<u>1,026,300</u>	<u>17,994</u>
Total	<u>\$ 26,685,190</u>	<u>\$ 24,830,153</u>	<u>\$ 1,855,037</u>

### Note 7 - Due to Members - Billing Lookback

At September 30, 2009 and 2008, the amount due to (from) member townships is as follows:

	2009	2008
Operating activities:		
Monthly billings	\$ 12,617,410	\$ 12,384,674
Actual operating expenses - Net of interest earnings	<u>(12,625,314)</u>	<u>(11,769,037)</u>
Total operating activities	<u>(7,904)</u>	<u>615,637</u>
Debt activities:		
Debt billings to townships	11,251,690	10,575,125
Principal payments on debt	(6,500,000)	(5,500,000)
Interest expense	<u>(4,751,690)</u>	<u>(5,075,125)</u>
Total debt activities	<u>-</u>	<u>-</u>
Capital activities:		
Monthly billings	14,016,877	11,183,593
Capital asset acquisitions with capital contributions	(14,016,877)	(11,183,593)
Proceeds from sale of capital assets	<u>4,000</u>	<u>8,000</u>
Total capital activities	<u>4,000</u>	<u>8,000</u>
Total billing lookback to (from) townships	<u>\$ (3,904)</u>	<u>\$ 623,637</u>

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2009 and 2008

### Note 8 - Long-term Debt

Long-term debt activity for the year ended September 30, 2009 was as follows:

	Beginning Balance	Current Year Reductions	Ending Balance	Due Within One Year
2001 General Obligation Bond, with interest rates from 3.50% to 5.25%, maturing through 2019 (used to fund WTUA collection system)	\$ 59,025,000	\$ (4,500,000)	\$ 54,525,000	\$ 4,550,000
2002 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2023 (used to fund the YCUA plant expansion)	47,000,000	(2,000,000)	45,000,000	2,000,000
Less:				
Deferred amount on 2001 refunding	(2,926,421)	285,504	(2,640,917)	(285,505)
Unamortized bond issue costs on 2002 issue	(133,520)	9,370	(124,150)	(9,370)
Unamortized discount on 2002 issue	(362,669)	25,451	(337,218)	(25,450)
Total long-term debt	<u>\$ 102,602,390</u>	<u>\$ (6,179,675)</u>	<u>\$ 96,422,715</u>	<u>\$ 6,229,675</u>

Long-term debt activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Current Year Reductions	Ending Balance	Due Within One Year
2001 General Obligation Bond, with interest rates from 3.50% to 5.25%, maturing through 2019 (used to fund WTUA collection system)	\$ 63,025,000	\$ (4,000,000)	\$ 59,025,000	\$ 4,500,000
2002 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2023 (used to fund the YCUA plant expansion)	48,500,000	(1,500,000)	47,000,000	2,000,000
Less:				
Deferred amount on 2001 refunding	(3,211,925)	285,504	(2,926,421)	(285,504)
Unamortized bond issue costs on 2002 issue	(142,890)	9,370	(133,520)	(9,370)
Unamortized discount on 2002 issue	(388,120)	25,451	(362,669)	(25,451)
Total long-term debt	<u>\$ 107,782,065</u>	<u>\$ (5,179,675)</u>	<u>\$ 102,602,390</u>	<u>\$ 6,179,675</u>

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2009 and 2008

### Note 8 - Long-term Debt (Continued)

#### Subsequent Event

In October 2009, the Authority issued the Sewage Disposal System Refunding Bonds, Series 2009, which is a Limited Tax General Obligation Bond, in the amount of \$46,660,000. The bonds bear interest at rates of 3.00 percent to 5.00 percent and mature through 2019. The proceeds of the bonds were placed in escrow to refund the Series 2001 bonds. The 2001 bonds will be refunded on January 1, 2010.

#### Debt Service Requirements

The annual principal and interest requirements to service all debt, following the refunding described above and including interest payments on the refunded bonds through January 1, 2010, are as follows:

<u>Years Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 6,550,000	\$ 4,635,606	\$ 11,185,606
2011	6,920,000	3,787,400	10,707,400
2012	7,405,000	3,550,025	10,955,025
2013	7,700,000	3,259,950	10,959,950
2014	8,615,000	2,921,150	11,536,150
2015-2019	42,520,000	8,404,451	50,924,451
2020-2023	16,500,000	1,583,125	18,083,125
Total	<u>\$ 96,210,000</u>	<u>\$ 28,141,707</u>	<u>\$ 124,351,707</u>

#### Interest

For the year ended September 30, 2009, interest incurred by the Authority totaled \$4,751,690. For the year ended September 30, 2008, interest incurred by the Authority totaled \$5,075,125.

#### Classification

Long-term debt that is due within one year has been classified as a non-current liability on the balance sheet since these obligations are not payable with the current resources of the Authority. The Authority will bill the member townships when bond payments are due.

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2009 and 2008

### Note 9 - 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.

Annual payment requirements for the above are as follows:

<u>Years Ending September 30</u>	<u>Amount</u>
2010	\$ 732,445
2011	705,969
2012	677,947
2013	648,309
2014	617,153
2015-2019	2,572,980
2020-2024	1,642,286
2025-2029	1,211,561
2030-2034	1,003,324
2035-2039	753,333
2040-2044	475,564
2045-2049	419,251
2050-2054	443,439
2055-2059	467,626
2060-2064	491,814
2065-2069	516,001
2070-2074	540,189
2075-2079	564,376
2080-2084	588,564
2085-2089	612,751
2090-2094	636,939
2095-2099	<u>661,126</u>
Total	<u>\$ 16,982,947</u>

# **Western Townships Utilities Authority**

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## **Notes to Financial Statements September 30, 2009 and 2008**

### **Note 10 - 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 workers' compensation and participates in the Michigan Municipal Risk Management Authority State Pool for claims relating to property loss and torts. 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 11 - 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, 2009 and 2008, the Authority contributed approximately \$26,300 and \$25,500, respectively.

## **Supplemental Information**

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# Western Townships Utilities Authority

## Schedule of Operating Expenditures Budget and Actual Year Ended September 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<b>Sewage Treatment Charges</b>	<b><u>\$ 10,578,864</u></b>	<b><u>\$ 10,431,264</u></b>	<b><u>\$ 9,567,876</u></b>	<b><u>\$ 863,388</u></b>
<b>Operation and Maintenance Costs</b>	<b><u>\$ 2,045,754</u></b>	<b><u>\$ 1,875,754</u></b>	<b><u>\$ 1,433,534</u></b>	<b><u>\$ 442,220</u></b>
<b>Administrative Costs</b>	<b><u>\$ 613,830</u></b>	<b><u>\$ 911,430</u></b>	<b><u>\$ 873,665</u></b>	<b><u>\$ 37,765</u></b>
<b>Sewage Capacity Rental Costs</b>	<b><u>\$ 757,353</u></b>	<b><u>\$ 757,353</u></b>	<b><u>\$ 757,353</u></b>	<b><u>\$ -</u></b>

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, 2009 and 2008

### 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		
		2009	2008	
5.25	2009	\$ -	\$ 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	54,525,000	59,025,000	15,538,875

\* In October 2009, the Authority issued Series 2009 bonds in the amount of \$46,660,000 face value plus a \$3,869,129 premium to refund the Series 2001 bonds. The Authority will be responsible for the \$4,550,000 principal payment that is due on the Series 2001 bonds in January 2010. The remaining balance of the Series 2001 bonds will be refunded on January 1, 2010.

# Western Townships Utilities Authority

## Schedule of Indebtedness (Continued) September 30, 2009 and 2008

### Limited Tax General Obligation Bonds (Continued)

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

Rate (Percent)	Date of Maturity January 1	September 30		Interest Payable
		2009	2008	
5.00	2009	\$ -	\$ 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>45,000,000</u>	<u>47,000,000</u>	<u>18,027,188</u>
Total Limited Tax General Obligation Bonds		<u>\$ 99,525,000</u>	<u>\$ 106,025,000</u>	<u>\$ 33,566,063</u>