

# **Western Townships Utilities Authority**

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**Financial Report  
with Supplemental Information  
September 30, 2012**

# 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 (the "Authority") as of and for the years ended September 30, 2012 and 2011, 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, 2012 and 2011 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Commissioners  
Western Townships Utilities Authority

Our audits were conducted for the purpose of forming opinions on the Authority's basic financial statements as a whole. The accompanying supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Plante & Moran, PLLC*

January 15, 2013

# 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).

|   | 2008          | 2009          | 2010          | 2011          | 2012          |
|---|---------------|---------------|---------------|---------------|---------------|
| Total costs charged to townships:                             |               |               |               |               |               |
| Operating expenses - Net of<br>unrestricted interest earnings | \$ 12,024,037 | \$ 11,875,314 | \$ 12,070,773 | \$ 11,913,656 | \$ 12,221,503 |
| Total flow (thousands of gallons)*                            | 5,854,103     | 5,792,600     | 5,474,557     | 5,768,036     | 5,512,508     |
| Cost per thousand gallons                                     | \$ 2.054      | \$ 2.050      | \$ 2.205      | \$ 2.065      | \$ 2.217      |

\* 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 and actual expenditures. 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. Wayne County billings are based on the amount of water purchased by the Authority's townships from Detroit, adjusted for water-only and sewer-only customers. This adjusted water number is then further adjusted by the percentage of WTUA's actual metered flow that is sent to the RVIS system. A quarterly bill is also paid to Wayne County that covers fixed and excess flow charges. Wayne County pays the City of Detroit based upon actual sewage flow as well as a monthly fixed charge.

### 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 due to a decrease in the long-term liabilities due to principal payments which was partially offset by the decrease in capital assets due to depreciation. The decrease in restricted assets primarily relates to payments received on a restricted asset which is restricted to payment of debt associated with the construction project funded by the debt as the project is now complete. There was no change in the unrestricted assets of the Authority as the Authority charges its members only as cash is needed for expenditures.

|  | September 30         |                      |                      | Change (2011 to 2012) |         |
|--|----------------------|----------------------|----------------------|-----------------------|---------|
|  | 2010                 | 2011                 | 2012                 | Amount                | Percent |
| <b>Assets</b>                            |                      |                      |                      |                       |         |
| Current assets                           | \$ 3,000,073         | \$ 2,760,444         | \$ 3,386,685         | \$ 626,241            | 22.7    |
| Restricted assets                        | 2,287,365            | 1,856,143            | 1,836,525            | (19,618)              | (1.1)   |
| Capital assets                           | 161,760,291          | 158,266,435          | 154,359,114          | (3,907,321)           | (2.5)   |
| Total assets                             | 167,047,729          | 162,883,022          | 159,582,324          | (3,300,698)           | (2.0)   |
| <b>Liabilities</b>                       |                      |                      |                      |                       |         |
| Current liabilities                      | 2,796,073            | 2,556,444            | 3,182,685            | 626,241               | 24.5    |
| Other liabilities                        | 1,217,593            | 1,173,642            | 1,175,991            | 2,349                 | 0.2     |
| Long-term liabilities                    | 89,983,415           | 83,007,331           | 75,546,246           | (7,461,085)           | (9.0)   |
| Total liabilities                        | 93,997,081           | 86,737,417           | 79,904,922           | (6,832,495)           | (7.9)   |
| <b>Net Assets</b>                        |                      |                      |                      |                       |         |
| Invested in capital assets - Net of debt | 71,776,876           | 75,259,104           | 78,812,868           | 3,553,764             | 4.7     |
| Restricted                               | 1,069,772            | 682,501              | 660,534              | (21,967)              | (3.2)   |
| Unrestricted                             | 204,000              | 204,000              | 204,000              | -                     | -       |
| Total net assets                         | <u>\$ 73,050,648</u> | <u>\$ 76,145,605</u> | <u>\$ 79,677,402</u> | <u>\$ 3,531,797</u>   | 4.6     |

# Western Townships Utilities Authority

## Management's Discussion and Analysis (Continued)

The following table presents condensed information about the Authority's revenue and expenses compared to the prior years:

|  | Year Ended September 30 |                     |                     | Change (2011 to 2012) |         |
|--|-------------------------|---------------------|---------------------|-----------------------|---------|
|  | 2010                    | 2011                | 2012                | Amount                | Percent |
| Earned revenue from townships                | \$ 12,070,773           | \$ 11,913,656       | \$ 12,221,503       | \$ 307,847            | 2.6     |
| Interest on operating cash and other revenue | 498                     | 728                 | 1,113               | 385                   | 52.9    |
| Total revenue                                | 12,071,271              | 11,914,384          | 12,222,616          | 308,232               | 2.6     |
| Sewage treatment charges                     | 9,407,420               | 9,272,098           | 9,742,174           | 470,076               | 5.1     |
| Operation and maintenance                    | 1,379,981               | 1,480,241           | 1,389,228           | (91,013)              | (6.1)   |
| Administrative                               | 551,425                 | 456,076             | 413,267             | (42,809)              | (9.4)   |
| Sewage capacity rental                       | 732,445                 | 705,969             | 677,947             | (28,022)              | (4.0)   |
| Total operating expenses                     | 12,071,271              | 11,914,384          | 12,222,616          | 308,232               | 2.6     |
| Other nonoperating income                    | 2,148,961               | 2,377,760           | 3,220,549           | 842,789               | 35.4    |
| Net income - Before capital contributions    | 2,148,961               | 2,377,760           | 3,220,549           | 842,789               | 35.4    |
| Capital contributions from townships         | 1,763,457               | 717,197             | 311,248             | (405,949)             | (56.6)  |
| Change in net assets                         | <u>\$ 3,912,418</u>     | <u>\$ 3,094,957</u> | <u>\$ 3,531,797</u> | <u>\$ 436,840</u>     | 14.1    |

Sewage treatment charges increased 5.1 percent this year. The total volume of sewage flow treated decreased 4.4 percent this year. Weather appeared to be the major factor in the decrease in flows. The first part of the fiscal year saw increased flows primarily due to the mild winter. During this time period most of the increase in flows was sent to Wayne County/RVIS, as there is still limited pumping capacity at the Lower Rouge facility that pumps to YCUA due to the North Pump Station (built in the LR Expansion project) not being operational yet. From March until the end of the fiscal year, flows were down primarily due to the hot and dry weather. Most of this decrease in flows impacted the amount of flow sent to the Wayne County/RVIS system as all of our wet weather flows were sent to them in the previous year due to the construction project at the Lower Rouge facility. The rate years for both YCUA and the Wayne County/RVIS system are different from WTUA's fiscal year. In YCUA's rate year, which runs from September 1, 2011 through August 31, 2012, after estimating the lookback, there was approximately a 2 percent increase in the rates charged to WTUA. The Wayne County/RVIS system rate year corresponds with DWSD's rate year. For the rate year July 1, 2011 through June 30, 2012, there was an increase in rates of 15.4 percent. This rate increase is attributable to both DWSD's and Wayne County's costs in the rate calculation. DWSD's rate increase was related to two items. A change in methodology in the rate calculation concerning the strength of flow component increased the rates as well as increased capital and operation and maintenance costs to address compliance issues related to solids handling. The increase in the Wayne County component is due to an increase in the amount of debt payments due on a SRF loan which was used to fund a capital project to reduce the inflow and infiltration into the collection system.

# Western Townships Utilities Authority

## Management's Discussion and Analysis (Continued)

Operations and maintenance costs are down due to a decrease in one full-time support staff for the contractor which operates the plant. This staff person was responsible for the SCADA maintenance. SCADA was upgraded during the year and is now maintained by a different contractor on an as needed basis. Preventive maintenance costs were lower this year as last year a costly preventive maintenance was performed on the electrical switchgear. Corrective maintenance costs were also lower this year.

Administrative costs were down this year due to a large refund from the insurance company. This large refund helped to offset increased health care costs and an increase in legal fees due to negotiations with Wayne County on a revised contract which are still on-going.

The increase in other operating income is due to a decrease in interest expense as well as an increase in debt billings to the townships from the prior year.

Capital contributions from the Townships are down as there has been a decrease in capital improvements from the previous year. The current capital projects are all funded from Township contributions.

### **Budgetary Highlights**

During the year, the Authority made no budget amendments. Costs came in at 83.8 percent of the budget.

### **Capital Asset and Debt Administration**

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

|  |                   |
|--|-------------------|
| Lower Rouge equalization basin expansion | \$ 227,007        |
| SCADA improvements                       | 43,880            |
| Other                                    | <u>48,354</u>     |
| Total capital project additions          | <u>\$ 319,241</u> |

The Lower Rouge equalization basin expansion project increases the storage capacity at the Lower Rouge facility by 5.5 million gallons and has added a new pump station with three new pumps. Construction started in early 2008 and final completion was expected in mid 2010. The project is 99 percent complete with two items holding up the operation of the new basin. This project is currently in litigation. Subsequent to year end, a contract was signed to make modifications to the plant which should fix one of these issues. The fix for the other issue is still being negotiated, and a contract is expected to be signed soon which would include the construction work to fix the issue.

The Authority's total investment in capital assets is over \$203 million (before considering depreciation).



# **Western Townships Utilities Authority**

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

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

WTUA's contract with Wayne County expired in August 2011. Negotiations have been underway for some time for a contract extension or a new contract. Current negotiations seem to be leaning toward a contract extension until the impact to flows from the short term corrective action plan implemented by Wayne County can be analyzed. This may result in a reallocation of capacity among the member communities in the RVIS system. YCUA has notified WTUA that it has additional capacity available for purchase. This option is also being considered.

Sewage treatment charges represent approximately 79 percent of the Authority's operating budget for the next fiscal year. YCUA's rate increase for next year is approximately 9 percent when compared with the estimated lookback rate for the current year. The Wayne County/RVIS system has a 9.8 percent increase in rates for next year. The Authority's operating budget for the year ending September 30, 2013 forecasts an 8 percent increase in the billable volume to Wayne County/RVIS and a 9 percent increase in the volume of sewage flow to YCUA.

### **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         |                      |
|---|----------------------|----------------------|
|   | 2012                 | 2011                 |
| <b>Assets</b>   |                      |                      |
| Current assets:   |                      |                      |
| Cash (Note 4)   | \$ 145,252           | \$ 248,584           |
| Accounts receivable:  |                      |                      |
| Due from members  | 1,159,483            | 1,162,645            |
| Other   | 55                   | 17,250               |
| Provision for YCUA lookback   | 1,170,000            | 350,000              |
| Unbilled receivable:  |                      |                      |
| Debt service  | 856,613              | 918,400              |
| Capital improvement   | 15,000               | 17,866               |
| Prepaid expenses  | 40,282               | 45,699               |
| Total current assets  | <u>3,386,685</u>     | <u>2,760,444</u>     |
| Noncurrent assets:  |                      |                      |
| Restricted assets:  |                      |                      |
| Cash and investments (Notes 4 and 5)                                | 1,759,135            | 1,757,364            |
| Accounts receivable - Due from other governmental units<br>(Note 5) | 77,390               | 98,779               |
| Capital assets - Net (Note 6):                                      |                      |                      |
| Nondepreciable  | 30,216,540           | 29,941,179           |
| Depreciable   | <u>124,142,574</u>   | <u>128,325,256</u>   |
| Total noncurrent assets   | <u>156,195,639</u>   | <u>160,122,578</u>   |
| Total assets  | <u>159,582,324</u>   | <u>162,883,022</u>   |
| <b>Liabilities</b>  |                      |                      |
| Current liabilities:  |                      |                      |
| Accounts payable  | 1,065,313            | 1,149,067            |
| Accrued payables, payroll, and compensated absences                 | 43,463               | 38,340               |
| Construction payable  | 47,297               | 56,379               |
| Billing lookback - Due to members                                   | -                    | 44,258               |
| Provision for future lookback to members                            | 1,170,000            | 350,000              |
| Accrued interest payable  | <u>856,612</u>       | <u>918,400</u>       |
| Total current liabilities   | <u>3,182,685</u>     | <u>2,556,444</u>     |
| Noncurrent liabilities:   |                      |                      |
| Construction retainers payable from restricted assets               | 1,175,991            | 1,173,642            |
| Long-term debt - Due within one year (Note 7)                       | 7,756,085            | 7,461,085            |
| Long-term debt - Due in more than one year (Note 7)                 | <u>67,790,161</u>    | <u>75,546,246</u>    |
| Total noncurrent liabilities  | <u>76,722,237</u>    | <u>84,180,973</u>    |
| Total liabilities   | <u>79,904,922</u>    | <u>86,737,417</u>    |
| <b>Net Assets</b>   |                      |                      |
| Invested in capital assets - Net of related debt                    | 78,812,868           | 75,259,104           |
| Restricted for capital purposes                                     | 660,534              | 682,501              |
| Unrestricted  | <u>204,000</u>       | <u>204,000</u>       |
| Total net assets  | <u>\$ 79,677,402</u> | <u>\$ 76,145,605</u> |

# Western Townships Utilities Authority

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

|   | Year Ended September 30     |                             |
|---|-----------------------------|-----------------------------|
|   | 2012                        | 2011                        |
| <b>Operating Revenue</b>                            |                             |                             |
| Earned revenue from townships                       | \$ 12,221,503               | \$ 11,913,656               |
| Interest earned on operating cash and other revenue | 1,113                       | 728                         |
| Total operating revenue                             | <u>12,222,616</u>           | <u>11,914,384</u>           |
| <b>Operating Expenses</b>                           |                             |                             |
| Sewage treatment charges                            | 9,742,174                   | 9,272,098                   |
| Operation and maintenance                           | 1,389,228                   | 1,480,241                   |
| Administrative                                      | 413,267                     | 456,076                     |
| Sewage capacity rental                              | 677,947                     | 705,969                     |
| Total operating expenses                            | <u>12,222,616</u>           | <u>11,914,384</u>           |
| <b>Operating Income</b>                             | <u>-</u>                    | <u>-</u>                    |
| <b>Nonoperating Revenue (Expenses)</b>              |                             |                             |
| Interest earnings on restricted assets              | 2,885                       | 5,401                       |
| Disposal of assets                                  | 7,993                       | -                           |
| Debt billings to townships                          | 10,868,385                  | 10,258,412                  |
| Interest expense                                    | (3,488,237)                 | (3,730,500)                 |
| Depreciation  | (4,226,562)                 | (4,211,637)                 |
| Amortization  | 56,085                      | 56,084                      |
| Total nonoperating revenue                          | <u>3,220,549</u>            | <u>2,377,760</u>            |
| <b>Net Income - Before capital contributions</b>    | 3,220,549                   | 2,377,760                   |
| <b>Capital Contributions from Townships</b>         | <u>311,248</u>              | <u>717,197</u>              |
| <b>Increase in Net Assets</b>                       | 3,531,797                   | 3,094,957                   |
| <b>Net Assets - Beginning of year</b>               | <u>76,145,605</u>           | <u>73,050,648</u>           |
| <b>Net Assets - End of year</b>                     | <u><b>\$ 79,677,402</b></u> | <u><b>\$ 76,145,605</b></u> |

# Western Townships Utilities Authority

## Statement of Cash Flows

|  | Year Ended September 30 |                     |
|--|-------------------------|---------------------|
|  | 2012                    | 2011                |
| <b>Cash Flows from Operating Activities</b>  |                         |                     |
| Cash received from townships and other receipts  | \$ 12,984,854           | \$ 12,890,685       |
| Cash payments to suppliers for goods and services  | (12,813,377)            | (12,438,109)        |
| Cash payments for employee services  | (285,258)               | (279,696)           |
| Net cash provided by (used in) operating activities  | (113,781)               | 172,880             |
| <b>Cash Flows from Capital and Related Financing Activities</b>  |                         |                     |
| Collection of debt billings to townships   | 10,930,172              | 10,315,312          |
| Principal and interest paid on long-term debt  | (10,955,025)            | (10,707,400)        |
| Capital contributions from members   | 329,667                 | 765,991             |
| Proceeds from sale of assets   | 7,993                   | -                   |
| Payments for the acquisition or construction of capital assets   | (304,666)               | (469,429)           |
| Net cash provided by (used in) capital and related activities  | 8,141                   | (95,526)            |
| <b>Cash Flows from Investing Activities</b> - Interest received on investments                                       | 4,079                   | 5,573               |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>  | (101,561)               | 82,927              |
| <b>Cash and Cash Equivalents</b> - Beginning of year   | 2,005,948               | 1,923,021           |
| <b>Cash and Cash Equivalents</b> - End of year   | <u>\$ 1,904,387</u>     | <u>\$ 2,005,948</u> |
| <b>Balance Sheet Classification of Cash and Cash Equivalents</b>   |                         |                     |
| Unrestricted cash  | \$ 145,252              | \$ 248,584          |
| Restricted cash and investments  | 1,759,135               | 1,757,364           |
| Total cash and cash equivalents  | <u>\$ 1,904,387</u>     | <u>\$ 2,005,948</u> |
| <b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>                                      |                         |                     |
| Operating income   | \$ -                    | \$ -                |
| Less interest included in operating revenue  | (1,113)                 | (541)               |
| Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities: |                         |                     |
| Decrease (increase) in due from members - Monthly billings   | (12,391)                | 271,857             |
| Decrease (increase) in accounts receivable - Non-members   | 17,195                  | (14,634)            |
| Decrease in future lookback  | -                       | 350,000             |
| Increase in provision for YCUA lookback  | (820,000)               | (350,000)           |
| Decrease in prepaid expenses   | 5,417                   | 14,216              |
| Decrease in accounts payable   | (83,754)                | (97,232)            |
| (Decrease) increase in accrued payable and payroll   | 5,123                   | (5,771)             |
| Increase in provision for future lookback to members   | 820,000                 | 350,000             |
| Decrease in provision for YCUA lookback  | -                       | (350,000)           |
| (Decrease) increase in due to members - Billing lookback   | (44,258)                | 4,985               |
| Net cash provided by (used in) operating activities  | <u>\$ (113,781)</u>     | <u>\$ 172,880</u>   |

There were no noncash transactions during the years ended September 30, 2012 and 2011.

# Western Townships Utilities Authority

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## Notes to Financial Statements September 30, 2012 and 2011

### 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, 2012 and 2011

### 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, capital projects, and future lookbacks 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 to pay for retainages associated with various construction contracts and, as such, these amounts have been classified as restricted assets. There is also a receivable related to the YCUA expansion that is restricted. 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 are also 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   |

# Western Townships Utilities Authority

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## Notes to Financial Statements September 30, 2012 and 2011

### Note 2 - Summary of Significant Accounting Policies (Continued)

**Upcoming Accounting Pronouncements** - GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued by the GASB in June 2011 and will be effective for the Authority's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the Authority as of the fiscal year ending September 30, 2014.

### 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 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, 2012 and 2011.

# Western Townships Utilities Authority

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## Notes to Financial Statements September 30, 2012 and 2011

### 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.

The Authority's cash and investments are subject to two 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, 2012, the Authority had \$1,183,406 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At September 30, 2011, the Authority had \$923,642 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.



# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2012 and 2011

### Note 4 - Deposits and Investments (Continued)

#### 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 2011, the only asset subject to credit risk was a bank investment pool held by JPMorgan Chase. The credit quality ratings of these securities (other than the U.S. government) was Aaa by the Moody's rating organization. As of year end 2012, the Authority held no assets subject to credit risk.

### Note 5 - Restricted Assets

As of September 30, 2012 and 2011, restricted assets are restricted for the following:

|                                      | 2012                | 2011                |
|--------------------------------------|---------------------|---------------------|
| Cash and investments:                |                     |                     |
| Capital replacement reserve          | \$ 576,700          | \$ 576,700          |
| Debt service                         | 6,444               | 7,022               |
| Payment of construction retainages   | 1,175,991           | 1,173,642           |
| Total cash and investments           | 1,759,135           | 1,757,364           |
| Accounts receivable - YCUA expansion | 77,390              | 98,779              |
| Total                                | <u>\$ 1,836,525</u> | <u>\$ 1,856,143</u> |

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2012 and 2011

### Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2012 was as follows:

|  | 2011                  | Increase              | Decrease        | 2012                  |
|--|-----------------------|-----------------------|-----------------|-----------------------|
| Capital assets not being depreciated:          |                       |                       |                 |                       |
| Land   | \$ 2,136,913          | \$ -                  | \$ -            | \$ 2,136,913          |
| Construction in progress -<br>Capital projects | <u>27,804,266</u>     | <u>275,361</u>        | <u>-</u>        | <u>28,079,627</u>     |
| Subtotal                                       | <u>29,941,179</u>     | <u>275,361</u>        | <u>-</u>        | <u>30,216,540</u>     |
| Capital assets being depreciated:              |                       |                       |                 |                       |
| Land restoration costs                         | 2,412,243             | -                     | -               | 2,412,243             |
| Utility system:                                |                       |                       |                 |                       |
| Sewage transmission lines                      | 44,068,044            | -                     | -               | 44,068,044            |
| Equalization basin and<br>pump station         | 38,841,895            | 43,880                | (40,000)        | 38,845,775            |
| Equity in YCUA                                 | 87,747,559            | -                     | -               | 87,747,559            |
| Furniture and equipment                        | <u>132,197</u>        | <u>-</u>              | <u>(44,198)</u> | <u>87,999</u>         |
| Subtotal                                       | <u>173,201,938</u>    | <u>43,880</u>         | <u>(84,198)</u> | <u>173,161,620</u>    |
| Less accumulated depreciation for:             |                       |                       |                 |                       |
| Land restoration costs                         | (2,412,243)           | -                     | -               | (2,412,243)           |
| Utility system:                                |                       |                       |                 |                       |
| Sewage transmission lines                      | (12,524,006)          | (745,392)             | -               | (13,269,398)          |
| Equalization basin and<br>pump station         | (16,994,573)          | (1,282,928)           | 40,000          | (18,237,501)          |
| Equity in YCUA                                 | (12,834,149)          | (2,192,810)           | -               | (15,026,959)          |
| Furniture and equipment                        | <u>(111,711)</u>      | <u>(5,432)</u>        | <u>44,198</u>   | <u>(72,945)</u>       |
| Subtotal                                       | <u>(44,876,682)</u>   | <u>(4,226,562)</u>    | <u>84,198</u>   | <u>(49,019,046)</u>   |
| Net capital assets being depreciated           | <u>128,325,256</u>    | <u>(4,182,682)</u>    | <u>-</u>        | <u>124,142,574</u>    |
| Total capital assets - Net of depreciation     | <u>\$ 158,266,435</u> | <u>\$ (3,907,321)</u> | <u>\$ -</u>     | <u>\$ 154,359,114</u> |

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2012 and 2011

### Note 6 - Capital Assets (Continued)

Capital asset activity for the year ended September 30, 2011 was as follows:

|  | 2010                  | Increase              | Decrease     | 2011                  |
|--|-----------------------|-----------------------|--------------|-----------------------|
| Capital assets not being depreciated:          |                       |                       |              |                       |
| Land   | \$ 2,136,913          | \$ -                  | \$ -         | \$ 2,136,913          |
| Construction in progress -<br>Capital projects | <u>27,104,343</u>     | <u>699,923</u>        | <u>-</u>     | <u>27,804,266</u>     |
| Subtotal                                       | <u>29,241,256</u>     | <u>699,923</u>        | <u>-</u>     | <u>29,941,179</u>     |
| Capital assets being depreciated:              |                       |                       |              |                       |
| Land restoration costs                         | 2,412,243             | -                     | -            | 2,412,243             |
| Utility system:                                |                       |                       |              |                       |
| Sewage transmission lines                      | 44,068,044            | -                     | -            | 44,068,044            |
| Equalization basin and<br>pump station         | 38,841,895            | -                     | -            | 38,841,895            |
| Equity in YCUA                                 | 87,746,975            | 584                   | -            | 87,747,559            |
| Furniture and equipment                        | <u>115,811</u>        | <u>17,274</u>         | <u>(888)</u> | <u>132,197</u>        |
| Subtotal                                       | <u>173,184,968</u>    | <u>17,858</u>         | <u>(888)</u> | <u>173,201,938</u>    |
| Less accumulated depreciation for:             |                       |                       |              |                       |
| Land restoration costs                         | (2,412,243)           | -                     | -            | (2,412,243)           |
| Utility system:                                |                       |                       |              |                       |
| Sewage transmission lines                      | (11,778,614)          | (745,392)             | -            | (12,524,006)          |
| Equalization basin and<br>pump station         | (15,725,839)          | (1,268,734)           | -            | (16,994,573)          |
| Equity in YCUA                                 | (10,641,339)          | (2,192,810)           | -            | (12,834,149)          |
| Furniture and equipment                        | <u>(107,898)</u>      | <u>(4,701)</u>        | <u>888</u>   | <u>(111,711)</u>      |
| Subtotal                                       | <u>(40,665,933)</u>   | <u>(4,211,637)</u>    | <u>888</u>   | <u>(44,876,682)</u>   |
| Net capital assets being depreciated           | <u>132,519,035</u>    | <u>(4,193,779)</u>    | <u>-</u>     | <u>128,325,256</u>    |
| Total capital assets - Net of depreciation     | <u>\$ 161,760,291</u> | <u>\$ (3,493,856)</u> | <u>\$ -</u>  | <u>\$ 158,266,435</u> |

**Construction Commitments** - The Authority has three active construction projects at year end: the Lower Rouge equalization basin expansion which is 99 percent complete, the MRVI Interceptor repair which is through the design phase, and the Middle Rouge Parking Lot repair which is through the design phase. The Lower Rouge equalization basin expansion project is to increase the storage capacity at the Lower Rouge facility. The total commitment for the project is \$26,140,612. At year end, the Authority had spent \$26,092,120, leaving an unspent commitment of \$48,492. The MRVI Interceptor repair project had a total project commitment of \$48,900 and total expenditures of \$26,235. Unspent commitments totaled \$22,665 at year end. The Middle Rouge Parking Lot repair had a total project commitment of \$43,100 and total expenditures of \$22,119. Unspent commitments totaled \$20,981 at year end.

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2012 and 2011

### Note 7 - Long-term Debt

Long-term debt activity for the year ended September 30, 2012 was as follows:

|  | Beginning<br>Balance | Current Year<br>Reductions | Ending<br>Balance    | Due Within<br>One Year |
|--|----------------------|----------------------------|----------------------|------------------------|
| 2002 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2023 (used to fund the YCUA plant expansion) | \$ 41,000,000        | \$ (2,500,000)             | \$ 38,500,000        | \$ 2,500,000           |
| 2009 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2019 (used to refund 2001 bonds)             | 41,740,000           | (4,905,000)                | 36,835,000           | 5,200,000              |
| Less:  |                      |                            |                      |                        |
| Unamortized bond issue costs on 2002 issue   | (105,410)            | 9,369                      | (96,041)             | (9,370)                |
| Unamortized discount on 2002 issue   | (286,317)            | 25,450                     | (260,867)            | (25,450)               |
| Unamortized bond issue costs on 2009 issue   | (2,401,071)          | 331,182                    | (2,069,889)          | (331,182)              |
| Unamortized premium on 2009 issue  | <u>3,060,129</u>     | <u>(422,086)</u>           | <u>2,638,043</u>     | <u>422,087</u>         |
| Total long-term debt   | <u>\$ 83,007,331</u> | <u>\$ (7,461,085)</u>      | <u>\$ 75,546,246</u> | <u>\$ 7,756,085</u>    |

Long-term debt activity for the year ended September 30, 2011 was as follows:

|  | Beginning<br>Balance | Current Year<br>Reductions | Ending<br>Balance    | Due Within<br>One Year |
|--|----------------------|----------------------------|----------------------|------------------------|
| 2002 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2023 (used to fund the YCUA plant expansion) | \$ 43,000,000        | \$ (2,000,000)             | \$ 41,000,000        | \$ 2,500,000           |
| 2009 General Obligation Bond, with interest rates from 3.00% to 5.00%, maturing through 2019 (used to refund 2001 bonds)             | 46,660,000           | (4,920,000)                | 41,740,000           | 4,905,000              |
| Less:  |                      |                            |                      |                        |
| Unamortized bond issue costs on 2002 issue   | (114,780)            | 9,370                      | (105,410)            | (9,369)                |
| Unamortized discount on 2002 issue   | (311,768)            | 25,451                     | (286,317)            | (25,450)               |
| Unamortized bond issue costs on 2009 issue   | (2,732,253)          | 331,182                    | (2,401,071)          | (331,182)              |
| Unamortized premium on 2009 issue  | <u>3,482,216</u>     | <u>(422,087)</u>           | <u>3,060,129</u>     | <u>422,086</u>         |
| Total long-term debt   | <u>\$ 89,983,415</u> | <u>\$ (6,976,084)</u>      | <u>\$ 83,007,331</u> | <u>\$ 7,461,085</u>    |

# Western Townships Utilities Authority

## Notes to Financial Statements September 30, 2012 and 2011

### Note 7 - Long-term Debt (Continued)

#### Subsequent Event

On November 1, 2012, the Authority issued Sewage Disposal Refunding Bonds, Series 2012, which is a Limited Tax General Obligation Bond, in the amount of \$32,205,000. The bonds bear interest at rates of 3.00 percent to 5.00 percent and mature through 2023. The proceeds of the bonds were placed in escrow to refund the Series 2002 bonds. The 2002 bonds will be called on January 1, 2013.

#### 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, 2013, are as follows:

| <u>Years Ending<br/>September 30</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|--------------------------------------|----------------------|----------------------|----------------------|
| 2013                                 | \$ 7,700,000         | \$ 3,297,763         | \$ 10,997,763        |
| 2014                                 | 8,410,000            | 2,598,600            | 11,008,600           |
| 2015                                 | 8,510,000            | 2,259,175            | 10,769,175           |
| 2016                                 | 8,725,000            | 1,882,950            | 10,607,950           |
| 2017                                 | 9,450,000            | 1,487,275            | 10,937,275           |
| 2018-2022                            | 24,765,000           | 3,118,037            | 27,883,037           |
| 2023                                 | <u>3,980,000</u>     | <u>99,500</u>        | <u>4,079,500</u>     |
| Total                                | <u>\$ 71,540,000</u> | <u>\$ 14,743,300</u> | <u>\$ 86,283,300</u> |

#### Interest

For the year ended September 30, 2012, interest incurred by the Authority totaled \$3,488,237. For the year ended September 30, 2011, interest incurred by the Authority totaled \$3,730,500.

#### 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, 2012 and 2011

### 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.

Annual payment requirements for the above are as follows:

| <u>Years Ending<br/>September 30</u> | <u>Amount</u>        |
|--------------------------------------|----------------------|
| 2013                                 | \$ 648,309           |
| 2014                                 | 617,153              |
| 2015                                 | 584,731              |
| 2016                                 | 550,811              |
| 2017                                 | 515,371              |
| 2018-2022                            | 2,013,516            |
| 2023-2027                            | 1,300,424            |
| 2028-2032                            | 1,091,629            |
| 2033-2037                            | 858,340              |
| 2038-2042                            | 583,298              |
| 2043-2047                            | 409,576              |
| 2048-2052                            | 433,764              |
| 2053-2057                            | 457,951              |
| 2058-2062                            | 482,139              |
| 2063-2067                            | 506,326              |
| 2068-2072                            | 530,514              |
| 2073-2077                            | 554,701              |
| 2078-2082                            | 578,889              |
| 2083-2087                            | 603,076              |
| 2088-2092                            | 627,264              |
| 2093-2097                            | 651,451              |
| 2098-2099                            | 267,353              |
| Total                                | <u>\$ 14,866,586</u> |

# Western Townships Utilities Authority

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## Notes to Financial Statements September 30, 2012 and 2011

### **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 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 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, 2012 and 2011, the Authority contributed approximately \$26,000 and \$26,300, respectively.

### **Note 11 - Lower Rouge Expansion**

Construction of the expansion of the Lower Rouge facility began in 2008. The expansion included a new pump station and a 5.5 million gallon storage basin as well as modifications to the existing pump station. Completion was expected in 2010. WTUA will not accept the project from the contractor until issues related to the odor control duct and vibration of the pumps are resolved. WTUA is currently in litigation with the construction contractor, various insurance carriers, and the company that designed the facilities. Corrections to the facilities are expected to occur in 2013.

## **Supplemental Information**

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# Western Townships Utilities Authority

## Schedule of Operating Expenditures Budget and Actual Year Ended September 30, 2012

|  | Original Budget      | Final Budget         | Actual              | Variance<br>Favorable<br>(Unfavorable) |
|--|----------------------|----------------------|---------------------|--|
| <b>Sewage Treatment Charges</b>        | <u>\$ 11,422,443</u> | <u>\$ 11,422,443</u> | <u>\$ 9,742,174</u> | <u>\$ 1,680,269</u>                    |
| <b>Operation and Maintenance Costs</b> | <u>\$ 1,932,494</u>  | <u>\$ 1,932,494</u>  | <u>\$ 1,389,228</u> | <u>\$ 543,266</u>                      |
| <b>Administrative Costs</b>            | <u>\$ 555,938</u>    | <u>\$ 555,938</u>    | <u>\$ 413,267</u>   | <u>\$ 142,671</u>                      |
| <b>Sewage Capacity Rental Costs</b>    | <u>\$ 677,947</u>    | <u>\$ 677,947</u>    | <u>\$ 677,947</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, 2012 and 2011

### Limited Tax General Obligation Bonds

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

| Interest<br>Rate<br>(Percent) | Date of Maturity<br>January 1 | Principal Debt Outstanding |               | Annual<br>Interest<br>Payable |
|-------------------------------|-------------------------------|----------------------------|---------------|-------------------------------|
|                               |                               | September 30               |               |                               |
|                               |                               | 2012                       | 2011          |                               |
| 4.00                          | 2012                          | \$ -                       | \$ 2,500,000  | \$ 1,764,375                  |
| 5.00                          | 2013                          | 2,500,000                  | 2,500,000     | 857,188                       |
| 4.00                          | 2014*                         | -                          | 3,000,000     | -                             |
| 4.25                          | 2015*                         | -                          | 3,000,000     | -                             |
| 4.25                          | 2016*                         | -                          | 3,000,000     | -                             |
| 4.25                          | 2017*                         | -                          | 3,500,000     | -                             |
| 4.25                          | 2018*                         | -                          | 3,500,000     | -                             |
| 4.375                         | 2019*                         | -                          | 3,500,000     | -                             |
| 4.50                          | 2020*                         | -                          | 4,000,000     | -                             |
| 4.50                          | 2021*                         | -                          | 4,000,000     | -                             |
| 4.75                          | 2022*                         | -                          | 4,000,000     | -                             |
| 4.75                          | 2023*                         | -                          | 4,500,000     | -                             |
| Total 2002 Issue              |                               | \$ 2,500,000               | \$ 41,000,000 | \$ 2,621,563                  |

\* Debt was defeased on November 1, 2013 through a current refunding that resulted in an early call of the bonds on January 1, 2013. See note 7 to the financial statements.

#### 2009 Bond Issue (original principal \$46,660,000)

| Interest<br>Rate<br>(Percent) | Date of Maturity<br>January 1 | Principal Debt Outstanding |               | Annual<br>Interest<br>Payable |
|-------------------------------|-------------------------------|----------------------------|---------------|-------------------------------|
|                               |                               | September 30               |               |                               |
|                               |                               | 2012                       | 2011          |                               |
| 3.00                          | 2012                          | \$ -                       | \$ 4,905,000  | \$ 1,785,650                  |
| 4.00                          | 2013                          | 5,200,000                  | 5,200,000     | 1,608,075                     |
| 4.00                          | 2014                          | 5,615,000                  | 5,615,000     | 1,391,775                     |
| 5.00                          | 2015                          | 5,755,000                  | 5,755,000     | 1,135,600                     |
| 5.00                          | 2016                          | 6,015,000                  | 6,015,000     | 841,350                       |
| 5.00                          | 2017                          | 6,290,000                  | 6,290,000     | 533,725                       |
| 5.00                          | 2018                          | 6,525,000                  | 6,525,000     | 213,350                       |
| 3.50                          | 2019                          | 1,435,000                  | 1,435,000     | 25,112                        |
| Total 2009 Issue              |                               | \$ 36,835,000              | \$ 41,740,000 | \$ 7,534,637                  |

# Western Townships Utilities Authority

## Schedule of Indebtedness (Continued) September 30, 2012 and 2011

### 2012 Bond Issue (original principal \$32,205,000)

| Interest<br>Rate<br>(Percent) | Date of Maturity<br>January 1 | Principal Debt<br>Outstanding<br>November 1, 2012 | Annual<br>Interest<br>Payable |
|-------------------------------|-------------------------------|---|-------------------------------|
|                               | 2013                          | \$ -  | \$ 832,500                    |
| 3.00                          | 2014                          | 2,795,000   | 1,206,825                     |
| 3.00                          | 2015                          | 2,755,000   | 1,123,575                     |
| 3.00                          | 2016                          | 2,710,000   | 1,041,600                     |
| 3.00                          | 2017                          | 3,160,000   | 953,550                       |
| 4.00                          | 2018                          | 3,125,000   | 843,650                       |
| 4.00                          | 2019                          | 3,095,000   | 719,250                       |
| 4.00                          | 2020                          | 3,565,000   | 586,050                       |
| 4.00                          | 2021                          | 3,525,000   | 444,250                       |
| 5.00                          | 2022                          | 3,495,000   | 286,375                       |
| 5.00                          | 2023                          | 3,980,000   | 99,500                        |
|                               | Total 2012 Issue              | \$ 32,205,000                                     | \$ 8,137,125                  |