

January 10, 2024

To the Board of Commissioners
Western Townships Utilities Authority

We have audited the financial statements of the Western Townships Utilities Authority (the "Authority") as of and for the year ended September 30, 2023 and have issued our report thereon dated January 10, 2024. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 21, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated November 22, 2023.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus.

We noted no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

January 10, 2024

The most sensitive estimate affecting the financial statements was the estimated lookback adjustment from the Ypsilanti Community Utilities Authority (YCUA). Management's estimate of the lookback adjustment is based on preliminary financial information received from YCUA. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Authority, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 10, 2024.

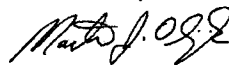
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a second opinion on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

This information is intended solely for the use of the board of commissioners and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC



Martin J. Olejnik, CPA



Keith Szymanski, CPA

Western Townships Utilities Authority

**Financial Report
with Supplementary Information
September 30, 2023**

Western Townships Utilities Authority

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Independent Auditor's Report

To the Board of Commissioners
Western Townships Utilities Authority

Opinion

We have audited the financial statements of the Western Townships Utilities Authority (the "Authority") as of and for the years ended September 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as of September 30, 2023 and 2022 and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Commissioners
Western Townships Utilities Authority

In performing audits in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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.

Other Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of operating expenditures - budget and actual is presented for the purpose of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of operating expenditures - budget and actual is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the schedule of bonded indebtedness but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

To the Board of Commissioners
Western Townships Utilities Authority

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Plante & Moran, PLLC

January 10, 2024

Western Townships Utilities Authority

Management's Discussion and Analysis

Using This Annual Report

The 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 supplementary information. The statement of net position and the statement of revenue, expenses, and changes in net position 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 position. The final component of the annual report is the other supplementary 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 member townships. 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).

	2019	2020	2021	2022	2023
Total costs charged to townships	\$8,701,248	\$8,165,659	\$8,417,981	\$8,660,200	\$11,225,503
Total flow (thousands of gallons)*	5,241,814	5,281,689	4,878,640	4,933,535	4,577,164
Cost per thousand gallons	\$1.651	\$1.546	\$1.725	\$1.755	\$2.453

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

In past years, WTUA transported sewage to two treatment plants, the Ypsilanti Community Utilities Authority (YCUA) and the Great Lakes Water Authority (GLWA), through the Wayne County/RVIS system. As of July 2017, WTUA discontinued sending flow to GLWA (with the exception of the swap area, which represents flow from the City of Plymouth, Michigan). The termination agreement with Wayne County, Michigan was executed in February 2020 along with the swap agreement with the City of Plymouth, Michigan.

WTUA flow was approximately 7 percent lower for fiscal year 2022-2023 as compared to last fiscal year, while charges to the townships increased by 30 percent, due mostly to an internal error at YCUA. YCUA found and corrected an error in an algorithm, which caused an overstatement of its total flows and, in turn, an understatement of WTUA's portion of its costs.

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table presents condensed information about the Authority's financial position compared to the prior year. The decrease in long-term liabilities, due to principal payments made on bonds, was offset by a decrease in capital assets due mostly to depreciation expense.

	2021	2022	2023	Change (2022-2023)	Percent Change
Assets					
Current and restricted assets	\$ 8,037,268	\$ 6,499,734	\$ 7,774,099	\$ 1,274,365	19.6
Capital assets	131,983,682	129,952,216	125,042,607	(4,909,609)	(3.8)
Total assets	140,020,950	136,451,950	132,816,706	(3,635,244)	(2.7)
Deferred Outflows of Resources	31,813	6,363	-	(6,363)	(100.0)
Liabilities					
Current liabilities	1,952,176	1,366,569	2,126,152	759,583	55.6
Noncurrent liabilities	12,169,085	6,494,710	2,016,609	(4,478,101)	(68.9)
Total liabilities	14,121,261	7,861,279	4,142,761	(3,718,518)	(47.3)
Net Position					
Net investment in capital assets	122,215,790	124,275,652	123,649,869	(625,783)	(0.5)
Restricted cash	3,460,141	4,042,493	4,745,186	702,693	17.4
Unrestricted	255,571	278,889	278,890	1	-
Total net position	<u>\$ 125,931,502</u>	<u>\$ 128,597,034</u>	<u>\$ 128,673,945</u>	<u>\$ 76,911</u>	0.1

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

The Authority's Changes in Net Position

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

	2021	2022	2023	Change (2022-2023)	Percent Change
Operating Revenue					
Earned revenue from townships	\$ 8,417,981	\$ 8,660,200	\$ 11,225,503	\$ 2,565,303	29.6
Other operating revenue	16,735	29,294	26,649	(2,645)	(9.0)
Total operating revenue	8,434,716	8,689,494	11,252,152	2,562,658	29.5
Operating Expenses					
Sewage treatment charges	5,567,567	5,524,528	8,111,989	2,587,461	46.8
Administrative	474,885	505,393	523,079	17,686	3.5
Sewage capacity rental	364,630	322,936	282,060	(40,876)	(12.7)
Operating and maintenance	1,795,517	2,104,518	2,130,532	26,014	1.2
Total operating expenses	8,202,599	8,457,375	11,047,660	2,590,285	30.6
Operating Income	232,117	232,119	204,492	(27,627)	(11.9)
Nonoperating Expense	(775,952)	(949,008)	(727,581)	221,427	(23.3)
Loss - Before capital contributions	(543,835)	(716,889)	(523,089)	193,800	(27.0)
Capital Contributions from Townships	3,631,383	3,382,421	600,000	(2,782,421)	(82.3)
Change in Net Position	3,087,548	2,665,532	76,911	(2,588,621)	(97.1)
Net Position - Beginning of year	122,843,954	125,931,502	128,597,034	2,665,532	2.1
Net Position - End of year	<u>\$ 125,931,502</u>	<u>\$ 128,597,034</u>	<u>\$ 128,673,945</u>	<u>\$ 76,911</u>	0.1

Due to the algorithm error at YCUA and subsequent adjustments to the 2022 and 2023 lookbacks, both affecting WTUA's 2022-2023 fiscal year, sewage treatment charges increased significantly. O&M costs and administrative expenses remained relatively stable as compared to last fiscal year. The revenue and expenditure report shows \$212,773 in excess operating revenue, which represents payments for YCUA's UAAL for pension and a reduction of the liability.

In previous years, WTUA's net nonoperating income exceeded \$5 million due to billings to townships to cover approximately \$10 million in bond payments annually, which was offset by close to \$5 million in depreciation expense. The 2009 bond issue was paid off in 2019. In fiscal year 2021-2022, WTUA paid approximately \$3.7 million in bond payments and depreciation expense was approximately \$4.8 million, reducing nonoperating income to \$(949,008). This year, WTUA paid approximately \$4 million in bond payments and depreciation expense was approximately \$5 million, partially offset by interest income, reducing nonoperating income to \$(727,581).

Capital contributions are billed to the townships annually, in January of each year, as was decided by the board of commissioners upon completion of the Authority's asset management program in 2017. WTUA computes a lookback every five years to reconcile the actual costs to the amount billed to the townships, the first of which was completed in 2022.

Budgetary Highlights

During the year, the Authority increased the budget by \$1.9 million to cover the YCUA lookback for 2021-2022 and 2022-2023.

Western Townships Utilities Authority

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

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

New heater unit	\$	11,623
Radio towers		23,121
VFD replacement		<u>66,940</u>
Total capital project additions	\$	<u>101,684</u>

The Authority's total investment in capital assets is over \$225 million (before considering depreciation).

At the close of the year, the Authority had paid off its outstanding debt, as compared to approximately \$4.1 million outstanding in the previous year. See Note 6 for more information.

Economic Factors and Next Year's Budgets and Rates

Sewage treatment charges represent approximately 65 percent of the Authority's operating budget for the next fiscal year. YCUA has increased its rate by approximately 18 percent.

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 Position

September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 189,515	\$ 119,715
Receivables:		
Due from members	2,115,540	740,239
Other	639,718	1,468,153
Prepaid expenses and other assets	84,140	79,384
Unbilled debt service receivable	-	49,750
Total current assets	<u>3,028,913</u>	<u>2,457,241</u>
Noncurrent assets:		
Restricted assets (Notes 3 and 4)	4,745,186	4,042,493
Capital assets: (Note 5)		
Assets not subject to depreciation	3,549,602	3,549,602
Assets subject to depreciation - Net	<u>121,493,005</u>	<u>126,402,614</u>
Total noncurrent assets	<u>129,787,793</u>	<u>133,994,709</u>
Total assets	<u>132,816,706</u>	<u>136,451,950</u>
Deferred Outflows of Resources - Deferred charges on refundings	-	6,363
Liabilities		
Current liabilities:		
Accounts payable	564,378	578,832
Accrued payables, payroll, and compensated absences	72,587	66,145
Billing lookback - Due to members	1,489,187	671,842
Accrued interest payable	-	49,750
Total current liabilities	<u>2,126,152</u>	<u>1,366,569</u>
Noncurrent liabilities:		
Contracts payable - YCUA - Due within one year (Note 8)	232,119	232,119
Contracts payable - YCUA - Due in more than one year (Note 8)	1,160,619	1,373,392
Due to Wayne County, Michigan - Due within one year (Note 9)	187,912	187,912
Due to Wayne County, Michigan - Due in more than one year (Note 9)	435,959	623,871
Long-term debt - Due within one year (Note 6)	-	4,077,416
Total noncurrent liabilities	<u>2,016,609</u>	<u>6,494,710</u>
Total liabilities	<u>4,142,761</u>	<u>7,861,279</u>
Net Position		
Net investment in capital assets	123,649,869	124,275,652
Restricted	4,745,186	4,042,493
Unrestricted	<u>278,890</u>	<u>278,889</u>
Total net position	<u>\$ 128,673,945</u>	<u>\$ 128,597,034</u>

Western Townships Utilities Authority

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Revenue		
Earned revenue from townships	\$ 11,225,503	\$ 8,660,200
Other operating revenue	26,649	29,294
Total operating revenue	11,252,152	8,689,494
Operating Expenses		
Sewage treatment charges	8,111,989	5,524,528
Administrative	523,079	505,393
Sewage capacity rental	282,060	322,936
Operating and maintenance	2,130,532	2,104,518
Total operating expenses	11,047,660	8,457,375
Operating Income	204,492	232,119
Nonoperating Revenue (Expense)		
Interest earnings	212,659	28,917
Debt billings to townships	4,029,750	3,737,688
Interest expense	(49,750)	(242,688)
Depreciation	(5,011,293)	(4,837,137)
Amortization	91,053	364,212
Total nonoperating expense	(727,581)	(949,008)
Loss - Before capital contributions from townships	(523,089)	(716,889)
Capital Contributions from Townships	600,000	3,382,421
Change in Net Position	76,911	2,665,532
Net Position - Beginning of year	128,597,034	125,931,502
Net Position - End of year	<u>\$ 128,673,945</u>	<u>\$ 128,597,034</u>

Western Townships Utilities Authority

Statement of Cash Flows

Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Cash received from townships and other receipts	\$ 10,196,791	\$ 8,840,330
Cash payments to suppliers for goods and services	(9,563,896)	(8,350,828)
Cash payments for employee services	(358,604)	(496,569)
Net cash and cash equivalents provided by (used in) operating activities	274,291	(7,067)
Cash Flows from Capital and Related Financing Activities		
Payments on YCUA contracts payable	(212,773)	(232,116)
Collection of debt billings to townships	4,079,500	3,781,376
Capital contributions from members	600,000	4,226,777
Payments for the acquisition or construction of capital assets	(101,684)	(4,635,353)
Principal and interest paid on capital debt	(4,079,500)	(3,781,376)
Net cash and cash equivalents provided by (used in) capital and related financing activities	285,543	(640,692)
Cash Flows Provided by Investing Activities - Interest received on investments	212,659	28,917
Net Increase (Decrease) in Cash and Cash Equivalents	772,493	(618,842)
Cash and Cash Equivalents - Beginning of year	4,162,208	4,781,050
Cash and Cash Equivalents - End of year	<u>\$ 4,934,701</u>	<u>\$ 4,162,208</u>
Classification of Cash and Cash Equivalents		
Unrestricted cash	\$ 189,515	\$ 119,715
Restricted cash	4,745,186	4,042,493
Total cash and cash equivalents	<u>\$ 4,934,701</u>	<u>\$ 4,162,208</u>
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 204,492	\$ 232,119
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Due from members - Monthly billings	(1,055,361)	150,836
Prepaid expenses	(4,756)	(13,664)
Accounts payable	1,123,474	(230,051)
Accrued payable and payroll	6,442	(146,307)
Net cash and cash equivalents provided by (used in) operating activities	<u>\$ 274,291</u>	<u>\$ (7,067)</u>

September 30, 2023 and 2022

Note 1 - Significant Accounting Policies

Nature of Entity

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

The Internal Revenue Service has ruled that the Authority is a political subdivision of the State of Michigan and, as a result, is exempt from federal income tax.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America, as applicable to governmental units.

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reporting 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 position.

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.

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 as of the end of the year. The Authority has accrued interest payable in an amount equal to the unbilled receivable for debt service.

Note 1 - Significant Accounting Policies (Continued)

Restricted Assets

The Authority has funds set aside to pay for capital asset projects and emergency replacement of critical assets. These funds are provided by the townships and are held by WTUA for each restricted purpose. When an expense is incurred that allows the use of restricted assets, those assets are applied before utilizing any unrestricted 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 acquisition cost 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:

	Depreciable Life - Years
Land restoration	15
Utility system - Equalization basin and pump station	10 to 40
Utility system - Sewage transmission lines	60
Utility system - Equity in the Ypsilanti Community Utilities Authority (YCUA)	15 to 40
Utility system - Furniture and equipment	5 to 7

Upcoming Accounting Pronouncement

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2025.

Note 2 - 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 supplementary information.

Western Townships Utilities Authority

Notes to Financial Statements

September 30, 2023 and 2022

Note 2 - Stewardship, Compliance, and Accountability (Continued)

During the year, the Authority incurred expenditures that were in excess of the amounts budgeted as follows:

	Budget	Actual
Operation and maintenance costs	\$ 2,092,253	\$ 2,130,532
Administrative costs	513,450	523,079
Total	<u>\$ 2,605,703</u>	<u>\$ 2,653,611</u>

There were no budget overruns during the year ended September 30, 2022.

Note 3 - 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 law also allows investments outside the state of Michigan when fully insured. The local unit 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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 investment in bonds and securities of the United States government and bank accounts and CDs but not the remainder of state statutory authority, as listed above. The Authority's deposits and investments are in accordance with statutory authority.

The Authority's cash and investments are subject to one type of risk, which is 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, 2023 and 2022, the Authority had bank deposits of \$0 and \$306,919, respectively, that were uninsured and uncollateralized. The Authority believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Authority's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Western Townships Utilities Authority

Notes to Financial Statements

September 30, 2023 and 2022

Note 3 - Deposits and Investments (Continued)

The Authority has an investment in Michigan CLASS measured at NAV as of September 30, 2023 and 2022. The balance of this investment is \$4,745,186 and \$4,034,785 at September 30, 2023 and 2022, respectively.

The valuation method for investments measured at net asset value per share (or its equivalent) is presented in the table below.

Investments in Entities that Calculate Net Asset Value per Share

The Authority holds shares or interests in investment companies where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At September 30, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	September 30, 2023	September 30, 2022	September 30, 2023 and 2022	
	Carrying Value	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible
Michigan CLASS	\$ 4,745,186	\$ 4,034,785	\$ -	No restrictions
				Redemption Notice Period
				None

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated A1 or better), collateralized bank deposits, repurchase agreements (collateralized at 102 percent by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Note 4 - Restricted Assets

At September 30, 2023 and 2022, restricted assets are composed of the following:

	2023	2022
Cash and investments:		
Capital replacement reserve - Emergency	\$ 556,077	\$ 530,326
Construction retainages	-	1
Capital replacement reserve - Construction	4,189,109	3,504,459
Debt service	-	7,707
Total	\$ 4,745,186	\$ 4,042,493

Western Townships Utilities Authority

Notes to Financial Statements

September 30, 2023 and 2022

Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance October 1, 2022	Reclassifications	Additions	Disposals	Balance September 30, 2023
Capital assets not being depreciated - Land	\$ 3,549,602	\$ -	\$ -	\$ -	\$ 3,549,602
Capital assets being depreciated:					
Land restoration costs	2,412,243	-	-	-	2,412,243
Sewage transmission lines	46,918,702	-	-	-	46,918,702
Equalization basin and pump station	81,249,599	-	101,684	-	81,351,283
Equity in YCUA	91,393,947	-	-	-	91,393,947
Furniture and equipment	127,527	-	-	-	127,527
Subtotal	222,102,018	-	101,684	-	222,203,702
Accumulated depreciation:					
Land restoration costs	2,412,243	-	-	-	2,412,243
Sewage transmission lines	21,118,716	-	796,487	-	21,915,203
Equalization basin and pump station	34,430,909	-	1,924,123	-	36,355,032
Equity in YCUA	37,620,076	-	2,283,971	-	39,904,047
Furniture and equipment	117,460	-	6,712	-	124,172
Subtotal	95,699,404	-	5,011,293	-	100,710,697
Net capital assets being depreciated	126,402,614	-	(4,909,609)	-	121,493,005
Net capital assets	\$ 129,952,216	\$ -	\$ (4,909,609)	\$ -	\$ 125,042,607

Western Townships Utilities Authority

Notes to Financial Statements

September 30, 2023 and 2022

Note 5 - Capital Assets (Continued)

	Balance October 1, 2021	Reclassifications	Additions	Disposals	Balance September 30, 2022
Capital assets not being depreciated:					
Land	\$ 3,549,602	\$ -	\$ -	\$ -	\$ 3,549,602
Construction in progress	10,996,918	(10,996,918)	-	-	-
Subtotal	14,546,520	(10,996,918)	-	-	3,549,602
Capital assets being depreciated:					
Land restoration costs	2,412,243	-	-	-	2,412,243
Sewage transmission lines	46,895,452	-	23,250	-	46,918,702
Equalization basin and pump station	67,470,260	10,996,918	2,782,421	-	81,249,599
Equity in YCUA	91,393,947	-	-	-	91,393,947
Furniture and equipment	127,527	-	-	-	127,527
Subtotal	208,299,429	10,996,918	2,805,671	-	222,102,018
Accumulated depreciation:					
Land restoration costs	2,412,243	-	-	-	2,412,243
Sewage transmission lines	20,322,424	-	796,292	-	21,118,716
Equalization basin and pump station	32,680,749	-	1,750,160	-	34,430,909
Equity in YCUA	35,336,105	-	2,283,971	-	37,620,076
Furniture and equipment	110,746	-	6,714	-	117,460
Subtotal	90,862,267	-	4,837,137	-	95,699,404
Net capital assets being depreciated	117,437,162	10,996,918	(2,031,466)	-	126,402,614
Net capital assets	<u>\$ 131,983,682</u>	<u>\$ -</u>	<u>\$ (2,031,466)</u>	<u>\$ -</u>	<u>\$ 129,952,216</u>

Note 6 - Long-term Debt

Long-term debt activity for the years ended September 30, 2023 and 2022 can be summarized as follows:

	2023						
	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2012 General Obligation Bond (used to refund 2002 bonds)	5.00%	2023	\$ 3,980,000	\$ -	\$ (3,980,000)	\$ -	\$ -
Unamortized premium on 2012 issue			97,416	-	(97,416)	-	-
Total bonds and contracts payable			<u>\$ 4,077,416</u>	<u>\$ -</u>	<u>\$ (4,077,416)</u>	<u>\$ -</u>	<u>\$ -</u>

Western Townships Utilities Authority

Notes to Financial Statements

September 30, 2023 and 2022

Note 6 - Long-term Debt (Continued)

	2022						
	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:							
Other debt:							
2012 General Obligation Bond (used to refund 2002 bonds)	5.00%	2023	\$ 7,475,000	\$ -	\$ (3,495,000)	\$ 3,980,000	\$ 3,980,000
Unamortized premium on 2012 issue			487,078	-	(389,662)	97,416	97,416
Total bonds and contracts payable			<u>\$ 7,962,078</u>	<u>\$ -</u>	<u>\$ (3,884,662)</u>	<u>\$ 4,077,416</u>	<u>\$ 4,077,416</u>

Interest

For the year ended September 30, 2023, interest incurred by the Authority totaled \$49,750. For the year ended September 30, 2022, interest incurred by the Authority totaled \$242,688.

Classifications

Long-term debt that is due within one year has been classified as a noncurrent liability on the statement of net position 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.

Note 7 - Commitments

Capacity Payments

The Authority has entered into an agreement with the Ypsilanti Community Utilities Authority, 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 capacity payment on November 17 each year through November 17, 2098. Annual payment requirements for the above are as follows:

Years Ending September 30	Amount
2024	\$ 268,777
2025	256,967
2026	249,974
2027	242,646
2028	234,985
2029-2033	1,048,311
2034-2038	806,672
2039-2043	523,279
2044-2048	414,414
2049-2053	438,601
2054-2058	462,789
2059-2063	486,976
2064-2068	511,164
2069-2073	535,351
2074-2078	559,539
2079-2083	583,726
2084-2088	607,914
2089-2093	632,101
2094-2098	656,289
2099	134,160
Total	<u>\$ 9,654,635</u>

Note 8 - Contracts Payable - YCUA

The Authority assumed a liability equal to 18.57 percent of YCUA's unfunded pension obligation as of August 31, 2015. As a result, the Authority recorded a liability in the amount of \$3,481,782 and makes monthly contributions of \$19,343 through August 2029. In exchange, the Authority received 4.3 million gallons per day of additional capacity in the YCUA wastewater treatment plant.

Note 9 - Settlement Agreement - Wayne County RVIS

The Authority discontinued utilization of the Wayne County RVIS for disposal of wastewater as of July 1, 2017. All flow to the county was ceased by that date, with the exception of the swap areas representing flow from the City of Plymouth, Michigan. On February 6, 2020, the termination agreement was approved by the Authority; its three member communities; and Wayne County, Michigan. The Authority was required to make a one-time payment of \$99,000 to Wayne County, Michigan upon onset of the agreement and remaining payments totaling \$1,245,750 through April 15, 2027. The balance outstanding as of September 30, 2023 and 2022 was \$623,871 and \$811,783, respectively. As part of the agreement, the City of Plymouth, Michigan was required to pay the Authority \$157,143 on April 15, 2020 and \$187,912 each year going forward through April 15, 2033, a portion of which is passed through to Wayne County, Michigan.

September 30, 2023 and 2022

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 (the "MMRMA") State Pool for claims relating to property loss and torts. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the MMRMA.

Note 11 - Retirement Plans

The Authority provides pension benefits to all of its full-time employees through a defined contribution plan. The Authority participates in the Municipal Employees' Retirement System of Michigan (MERS) for all defined contribution plan participants. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, MI 48917.

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, 2023 and 2022, the Authority contributed approximately \$38,000 and \$37,000, respectively.

Other Supplementary Information

Western Townships Utilities Authority

Other Supplementary Information
Schedule of Operating Expenditures - Budget and Actual

Year Ended September 30, 2023

	<u>Original Budget</u> (Unaudited)	<u>Final Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u>
Sewage treatment charges	\$ 5,935,048	\$ 8,233,048	\$ 8,111,989	\$ 121,059
Operation and maintenance costs	2,389,252	2,092,253	2,130,532	(38,279)
Administrative costs	614,450	513,450	523,079	(9,629)
Sewage capacity rental costs	282,060	282,060	282,060	-

Western Townships Utilities Authority

**Other Supplementary Information
Schedule of Bonded Indebtedness**

September 30, 2023

Original issue

\$ 32,205,000

In 2023, the principal payment for the 2012 bond issue was \$3,980,000 at an interest rate of 5.00 percent. Interest payable for the 2012 bond issue in 2022 was \$99,950. There is no remaining balance to be paid as of September 30, 2023.