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# Western Townships Utilities Authority

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**Financial Report  
with Supplementary Information  
September 30, 2024**

# 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, 2024 and 2023 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, 2024 and 2023 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.

#### ***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.

*Plante & Moran, PLLC*

January 13, 2025

# 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 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. Any 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).

	2020	2021	2022	2023	2024
Total costs charged to townships	\$8,165,659	\$8,417,981	\$8,660,200	\$11,225,503	\$11,645,249
Total flow (thousands of gallons)*	5,281,689	4,878,640	4,933,535	4,577,164	4,983,093
Cost per thousand gallons	\$1.546	\$1.725	\$1.755	\$2.453	\$2.321

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

WTUA flow was approximately 8.9 percent higher for fiscal year 2023-2024 as compared to last fiscal year, while charges to the townships increased by 3.7 percent.

## 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 capital asset is due to depreciation expense.

	2022	2023	2024	Change (2023-2024)	Percent Change
<b>Assets</b>					
Current and other assets	\$ 6,499,734	\$ 7,774,099	\$ 6,726,266	\$ (1,047,833)	(13.5)
Capital assets	129,952,216	125,042,607	120,093,164	(4,949,443)	(4.0)
Total assets	136,451,950	132,816,706	126,819,430	(5,997,276)	(4.5)
<b>Deferred Outflows of Resources</b>	6,363	-	-	-	-
<b>Liabilities</b>					
Current liabilities	1,366,569	2,126,152	1,054,923	(1,071,229)	(50.4)
Noncurrent liabilities	6,494,710	2,016,609	1,596,581	(420,028)	(20.8)
Total liabilities	7,861,279	4,142,761	2,651,504	(1,491,257)	(36.0)
<b>Net Position</b>					
Net investment in capital assets	124,275,652	123,649,869	118,932,542	(4,717,327)	(3.8)
Restricted	4,042,493	4,745,186	4,956,496	211,310	4.5
Unrestricted	278,889	278,890	278,888	(2)	-
Total net position	<u>\$ 128,597,034</u>	<u>\$ 128,673,945</u>	<u>\$ 124,167,926</u>	<u>\$ (4,506,019)</u>	(3.5)

#### 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:

	2022	2023	2024	Change (2023-2024)	Percent Change
<b>Operating Revenue</b>					
Earned revenue from townships	\$ 8,660,200	\$ 11,225,503	\$ 11,645,249	\$ 419,746	3.7
Other operating revenue	29,294	26,649	49,330	22,681	85.1
Total operating revenue	8,689,494	11,252,152	11,694,579	442,427	3.9
<b>Operating Expenses</b>					
Sewage treatment charges	5,524,528	8,111,989	8,563,696	451,707	5.6
Administrative	505,393	523,079	554,130	31,051	5.9
Sewage capacity rental	322,936	282,060	268,777	(13,283)	(4.7)
Operating and maintenance	2,104,518	2,130,532	2,075,863	(54,669)	(2.6)
Total operating expenses	8,457,375	11,047,660	11,462,466	414,806	3.8
<b>Operating Income</b>	232,119	204,492	232,113	27,621	13.5
<b>Nonoperating Expense</b>	(949,008)	(727,581)	(4,752,638)	(4,025,057)	553.2
<b>Loss - Before capital contributions</b>	(716,889)	(523,089)	(4,520,525)	(3,997,436)	764.2
<b>Capital Contributions from Townships</b>	3,382,421	600,000	14,506	(585,494)	(97.6)
<b>Change in Net Position</b>	2,665,532	76,911	(4,506,019)	(4,582,930)	(5,958.7)
<b>Net Position - Beginning of year</b>	125,931,502	128,597,034	128,673,945	76,911	0.1
<b>Net Position - End of year</b>	<u>\$ 128,597,034</u>	<u>\$ 128,673,945</u>	<u>\$ 124,167,926</u>	<u>\$ (4,506,019)</u>	(3.5)

# Western Townships Utilities Authority

## Management's Discussion and Analysis (Continued)

Sewage treatment costs, including the unbilled Ypsilanti Community Utilities Authority (YCUA) lookback, increased by 3.7 percent. The YCUA lookback from last year was significant due to an error in YCUA's total flow figure, which resulted in a large amount owed to YCUA. Excluding the lookback, the increase is 20 percent. Operating and maintenance costs and administrative expenses remained relatively stable compared to last fiscal year. The revenue and expenditure report shows \$232,113 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. Both the 2009 and 2012 bond issues have been paid off. This year, depreciation expense was approximately \$5 million, partially offset by interest income, reducing nonoperating income to \$(4,752,638).

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. There was no capital billing this year to help offset the increase in YCUA lookback amount for fiscal year 2022-2023, which was paid during fiscal year 2023-2024.

### **Budgetary Highlights**

During the year, the Authority increased the budget by \$1.5 million to cover the YCUA lookback for 2022-2023.

### **Capital Assets and Debt Administration**

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

VFD Repair - Pump 11	\$	52,434
5 Mile Sewer (Engineering)		<u>14,506</u>
Total capital project additions	\$	<u><u>66,940</u></u>

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

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

Sewage treatment charges represent approximately 72 percent of the Authority's operating budget for the next fiscal year. YCUA has increased its rate by approximately 3 percent for fiscal year 2024-2025.

### **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, 2024 and 2023

	2024	2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 88,083	\$ 189,515
Receivables:		
Due from members	804,434	2,115,540
Other	463,059	187,912
Prepaid expenses and other assets	150,300	84,140
Total current assets	<u>1,505,876</u>	<u>2,577,107</u>
Noncurrent assets:		
Restricted assets (Notes 3 and 4)	4,956,496	4,745,186
Other receivables - Greater than one year	263,894	451,806
Capital assets: (Note 5)		
Assets not subject to depreciation	3,564,108	3,549,602
Assets subject to depreciation - Net	116,529,056	121,493,005
Total noncurrent assets	<u>125,313,554</u>	<u>130,239,599</u>
Total assets	<u>126,819,430</u>	<u>132,816,706</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	658,177	564,378
Accrued payables, payroll, and compensated absences	78,455	72,587
Billing lookback - Due to members	318,291	1,489,187
Total current liabilities	<u>1,054,923</u>	<u>2,126,152</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)	928,503	1,160,619
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)	248,047	435,959
Total noncurrent liabilities	<u>1,596,581</u>	<u>2,016,609</u>
Total liabilities	<u>2,651,504</u>	<u>4,142,761</u>
<b>Net Position</b>		
Net investment in capital assets	118,932,542	123,649,869
Restricted - Capital replacement	4,956,496	4,745,186
Unrestricted	278,888	278,890
Total net position	<u>\$ 124,167,926</u>	<u>\$ 128,673,945</u>



## Western Townships Utilities Authority

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

Years Ended September 30, 2024 and 2023

	2024	2023
<b>Operating Revenue</b>		
Earned revenue from townships	\$ 11,645,249	\$ 11,225,503
Other operating revenue	49,330	26,649
Total operating revenue	11,694,579	11,252,152
<b>Operating Expenses</b>		
Sewage treatment charges	8,563,696	8,111,989
Administrative	554,130	523,079
Sewage capacity rental	268,777	282,060
Operating and maintenance	2,075,863	2,130,532
Total operating expenses	11,462,466	11,047,660
<b>Operating Income</b>	232,113	204,492
<b>Nonoperating Revenue (Expense)</b>		
Interest earnings	263,745	212,659
Debt billings to townships	-	4,029,750
Interest expense	-	(49,750)
Depreciation	(5,016,383)	(5,011,293)
Amortization	-	91,053
Total nonoperating expense	(4,752,638)	(727,581)
<b>Loss - Before capital contributions from townships</b>	(4,520,525)	(523,089)
<b>Capital Contributions from Townships</b>	14,506	600,000
<b>Change in Net Position</b>	(4,506,019)	76,911
<b>Net Position - Beginning of year</b>	128,673,945	128,597,034
<b>Net Position - End of year</b>	<u>\$ 124,167,926</u>	<u>\$ 128,673,945</u>

# Western Townships Utilities Authority

## Statement of Cash Flows

Years Ended September 30, 2024 and 2023

	2024	2023
<b>Cash Flows from Operating Activities</b>		
Cash received from townships and other receipts	\$ 13,087,900	\$ 10,196,791
Cash payments to suppliers for goods and services	(12,556,820)	(9,563,896)
Cash payments for employee services	(385,891)	(358,604)
Net cash and cash equivalents provided by operating activities	145,189	274,291
<b>Cash Flows from Capital and Related Financing Activities</b>		
Payments on YCUA contracts payable	(232,116)	(212,773)
Collection of debt billings to townships	-	4,079,500
Capital contributions from members	-	600,000
Payments for the acquisition or construction of capital assets	(66,940)	(101,684)
Principal and interest paid on capital debt	-	(4,079,500)
Net cash and cash equivalents (used in) provided by capital and related financing activities	(299,056)	285,543
<b>Cash Flows Provided by Investing Activities</b> - Interest received on investments	263,745	212,659
<b>Net Increase in Cash and Cash Equivalents</b>	109,878	772,493
<b>Cash and Cash Equivalents</b> - Beginning of year	4,934,701	4,162,208
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 5,044,579</u>	<u>\$ 4,934,701</u>
<b>Classification of Cash and Cash Equivalents</b>		
Unrestricted cash	\$ 88,083	\$ 189,515
Restricted cash	4,956,496	4,745,186
Total cash and cash equivalents	<u>\$ 5,044,579</u>	<u>\$ 4,934,701</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>		
Operating income	\$ 232,113	\$ 204,492
Adjustments to reconcile operating income to net cash from operating activities - Changes in assets and liabilities:		
Due from members - Monthly billings	1,393,321	(1,055,361)
Prepaid expenses	(66,160)	(4,756)
Accounts payable	(1,419,953)	1,123,474
Accrued payable and payroll	5,868	6,442
Net cash and cash equivalents provided by operating activities	<u>\$ 145,189</u>	<u>\$ 274,291</u>

**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 Pronouncements***

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.

In December 2023, the Governmental Accounting Standards Board issued Statement No. 102, *Certain Risk Disclosures*, which requires governments to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. It also requires governments to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If certain criteria are met for a concentration or constraint, disclosures are required in the notes to the financial statements. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2025.

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2026.

**Note 1 - Significant Accounting Policies (Continued)**

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2026.

**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.

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

	Budget	Actual
Sewage treatment charges	\$ 8,454,745	\$ 8,563,696
Administrative costs	554,028	554,130
Total	<u>\$ 9,008,773</u>	<u>\$ 9,117,826</u>

**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 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.

**Note 3 - Deposits and Investments (Continued)**

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, 2024 and 2023, the Authority had bank deposits of \$539,641 and \$0, 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.

The Authority has an investment in Michigan CLASS measured at NAV as of September 30, 2024 and 2023. The balance of this investment is \$4,956,496 and \$4,745,186 at September 30, 2024 and 2023, 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, 2024, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	September 30, 2024	September 30, 2023	September 30, 2024 and 2023		
	Carrying Value	Carrying Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Michigan CLASS \$	4,956,496	\$ 4,745,186	-	No restrictions	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 the treasuries and agency obligations), 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.



# Western Townships Utilities Authority

## Notes to Financial Statements

September 30, 2024 and 2023

### Note 4 - Restricted Assets

At September 30, 2024 and 2023, restricted assets are composed of the following:

	2024	2023
Cash and investments:		
Capital replacement reserve - Emergency	\$ 587,131	\$ 556,077
Capital replacement reserve - Construction	4,369,365	4,189,109
<b>Total</b>	<b>\$ 4,956,496</b>	<b>\$ 4,745,186</b>

### Note 5 - Capital Assets

Capital asset activity of the Authority was as follows:

	Balance October 1, 2023	Reclassifications	Additions	Disposals	Balance September 30, 2024
Capital assets not being depreciated:					
Land	\$ 3,549,602	\$ -	\$ -	\$ -	\$ 3,549,602
Construction in progress	-	-	14,506	-	14,506
Subtotal	3,549,602	-	14,506	-	3,564,108
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	81,351,283	-	52,434	-	81,403,717
Equity in YCUA	91,393,947	-	-	-	91,393,947
Furniture and equipment	127,527	-	-	-	127,527
Subtotal	222,203,702	-	52,434	-	222,256,136
Accumulated depreciation:					
Land restoration costs	2,412,243	-	-	-	2,412,243
Sewage transmission lines	21,915,203	-	795,022	-	22,710,225
Equalization basin and pump station	36,355,032	-	1,930,678	-	38,285,710
Equity in YCUA	39,904,047	-	2,283,970	-	42,188,017
Furniture and equipment	124,172	-	6,713	-	130,885
Subtotal	100,710,697	-	5,016,383	-	105,727,080
Net capital assets being depreciated	121,493,005	-	(4,963,949)	-	116,529,056
Net capital assets	\$ 125,042,607	\$ -	\$ (4,949,443)	\$ -	\$ 120,093,164



# Western Townships Utilities Authority

## Notes to Financial Statements

September 30, 2024 and 2023

### Note 5 - Capital Assets (Continued)

	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

#### Construction Commitments

The Authority has one ongoing construction project at September 30, 2024. The project had a total project commitment of \$975,633 and total expenses to date of \$14,506. The unspent commitments totaled \$961,127 at September 30, 2024.

**Western Townships Utilities Authority**

**Notes to Financial Statements**

**September 30, 2024 and 2023**

**Note 6 - Long-term Debt**

Long-term debt activity for the year ended September 30, 2023 can be summarized as follows (note that all debt was paid in full during 2023, and, as such, there is no outstanding debt as of September 30, 2023 or September 30, 2024):

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
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>

**Interest**

The Authority incurred \$0 in interest expense for the year ended September 30, 2024. For the year ended September 30, 2023, interest incurred by the Authority totaled \$49,750.

**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
2025	\$ 256,967
2026	249,974
2027	242,646
2028	234,985
2029	226,989
2030-2034	1,003,324
2035-2039	753,333
2040-2044	475,564
2045-2049	419,251
2050-2054	443,439
2055-2059	467,626
2060-2064	491,814
2065-2069	516,001
2070-2074	540,189
2075-2079	564,376
2080-2084	588,564
2085-2089	612,751
2090-2094	636,939
2095-2099	661,126
Total	<u>\$ 9,385,858</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, 2024 and 2023 was \$435,959 and \$623,871, 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, 2024 and 2023**

**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, 2024 and 2023, the Authority contributed approximately \$41,000 and \$38,000, respectively.

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## Supplementary Information

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**Western Townships Utilities Authority**

Supplementary Information  
Schedule of Operating Expenditures - Budget and Actual

Year Ended September 30, 2024

	<u>Original Budget</u> (Unaudited)	<u>Final Budget</u> (Unaudited)	<u>Actual</u>	<u>Variance</u>
Sewage treatment charges	\$ 6,604,745	\$ 8,454,745	\$ 8,563,696	\$ (108,951)
Operation and maintenance costs	2,477,020	2,202,020	2,075,863	126,157
Administrative costs	629,028	554,028	554,130	(102)
Sewage capacity rental costs	268,777	268,777	268,777	-