

# Ypsilanti Community Utilities Authority

## Environmental Leaders



Dedicated to Providing Top Quality, Cost Effective, and Environmentally Safe  
Water and Wastewater Services to our Customers

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# ANNUAL REPORT

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Year Ended August 31, 2004

**REVISED**



**REHMANN ROBSON**

*Certified Public Accountants*

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended August 31, 2004**

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# INTRODUCTORY SECTION



January 14, 2005

**To the Commissioners of the Ypsilanti Community  
Utilities Authority and Citizens of the Member Communities:**

State law requires that all local governments, subject to certain size criteria, publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the Ypsilanti Community Utilities Authority (“YCUA” or the “Authority”) for the fiscal year ended August 31, 2004.

This report consists of management’s representations concerning the finances of the Authority. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, YCUA management has established a comprehensive internal control framework that is designed both to protect the government’s assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Authority’s financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Authority’s comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Authority’s financial statements have been audited by Rehmann Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Authority for the fiscal year ended August 31, 2004 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that YCUA’s financial statements for the fiscal year ended August 31, 2004 are fairly presented in conformity with GAAP. The independent auditor’s report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The Authority's MD&A can be found immediately following the report of the independent auditors.

## **Profile of the Authority**

YCUA provides water and wastewater services to the Ypsilanti area. The Authority is governed by a Board of Commissioners comprised of two representatives from the City of Ypsilanti (the "City") and three from the Charter Township of Ypsilanti (the "Township").

The Authority provides water and sewage services to the City and Township, as well as the townships of Pittsfield, Augusta and Superior. YCUA also contracts with Sumpter Township for wastewater treatment and the Western Townships Utility Authority to provide wastewater treatment services for the townships of Canton, Northville and Plymouth.

The Authority was formed in 1974 by the Township and City in response to a number of factors occurring at that time. The need for a new wastewater treatment facility was the most significant driving force to bring about the creation of YCUA. By combining the water and sewer departments of both the City and Township, economic benefits through the elimination the staff duplication and economies of scale could be achieved. The fact that the City is almost completely surrounded by the Township makes the combination of the two systems an obvious economic advantage.

The new wastewater plant was opened in 1982 with a capacity of 28.9 million gallons per day (MGD). The wastewater treatment consists of primary screening, grit removal, primary clarification, and secondary and tertiary treatment utilizing the activated sludge process. A permit is issued from the Michigan Department of Environmental Quality (MDEQ) that regulates the discharge from the wastewater treatment plant. This permit requires stable effluent treatment levels and the plant currently is in compliance with its permit.

Growth in the Wayne County townships of Plymouth, Canton and Northville has resulted in a request by the Western Townships Utilities Authority (WTUA, the organization that represents the three townships) to expand the plant to treat the wastewater generated by these communities. Presently, the wastewater from the three communities is divided between the YCUA and Wayne County systems.

Construction on the plant expansion and improvements project, which will add 17 MGD to the YCUA wastewater facility, began in 2002 and will continue through 2006. The plant will then be able to handle all of the sewage of Northville, Plymouth and Canton Townships. The plan calls for plant updating, more odor controls, safer disinfection equipment and a more efficient incinerator for burning sewage sludge, which will replace our current unit. Engineers estimate air pollution will be reduced by more than 80%. Eight MGD capacity has been leased to WTUA, which will help pay for many of these improvements.

Construction has begun on the plant expansion/improvements project and is approximately 70% completed. The remainder of the \$112 million project will be completed by 2006 and will include improvements to the administration building, maintenance building, filter building, disinfection systems, grit and screening building, clarifiers and basins. Major modifications will also be made to the plant's solids processing building. WTUA's share of the project cost is currently estimated to be 71.6%; the Authority will be responsible for the remaining portion. At completion, WTUA will have rights to use up to 54% of the total plant capacity.

The first phase of the plant expansion started in June 2002 with construction of an ultraviolet (UV) disinfection facility. The UV disinfection facility is complete, online and working, allowing for the removal of liquid chlorine and sulfur dioxide from the plant site.

**Cash management policies and practices.** The Authority is very conservative in its approach to cash management. Generally, cash is deposited in receiving bank accounts and then transferred to and between a variety of other bank accounts, many of which are interest bearing including money market and cash management accounts and certificates of deposit. These transfers are made to satisfy various requirements/restrictions imposed, or interpreted to be imposed, by the member governments and/or bond ordinances.

Cash received from WTUA for the wastewater treatment plant construction project was placed in a separate trust account and invested in U.S. government securities and money market funds. As construction costs are invoiced, WTUA's share of these costs is drawn from the trust account.

**Pension and other postemployment benefits.** The Authority participates in an agent multiple-employer plan that provides pension benefits for all full-time employees. The annual actuarial valuation for this plan shows that it is 72% funded as of December 31, 2003 (the date of the latest actuarial valuation). The remaining unfunded amount is being systematically funded over 28 to 36 years as part of the annual required contribution calculated by the actuary.

The Authority also provides postretirement health care benefits to all full-time employees upon retirement. As of the end of the current fiscal year, there were 64 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the Authority's retirement plan and postemployment benefits can be found in Notes 4-C and 4-D in the notes to the financial statements.

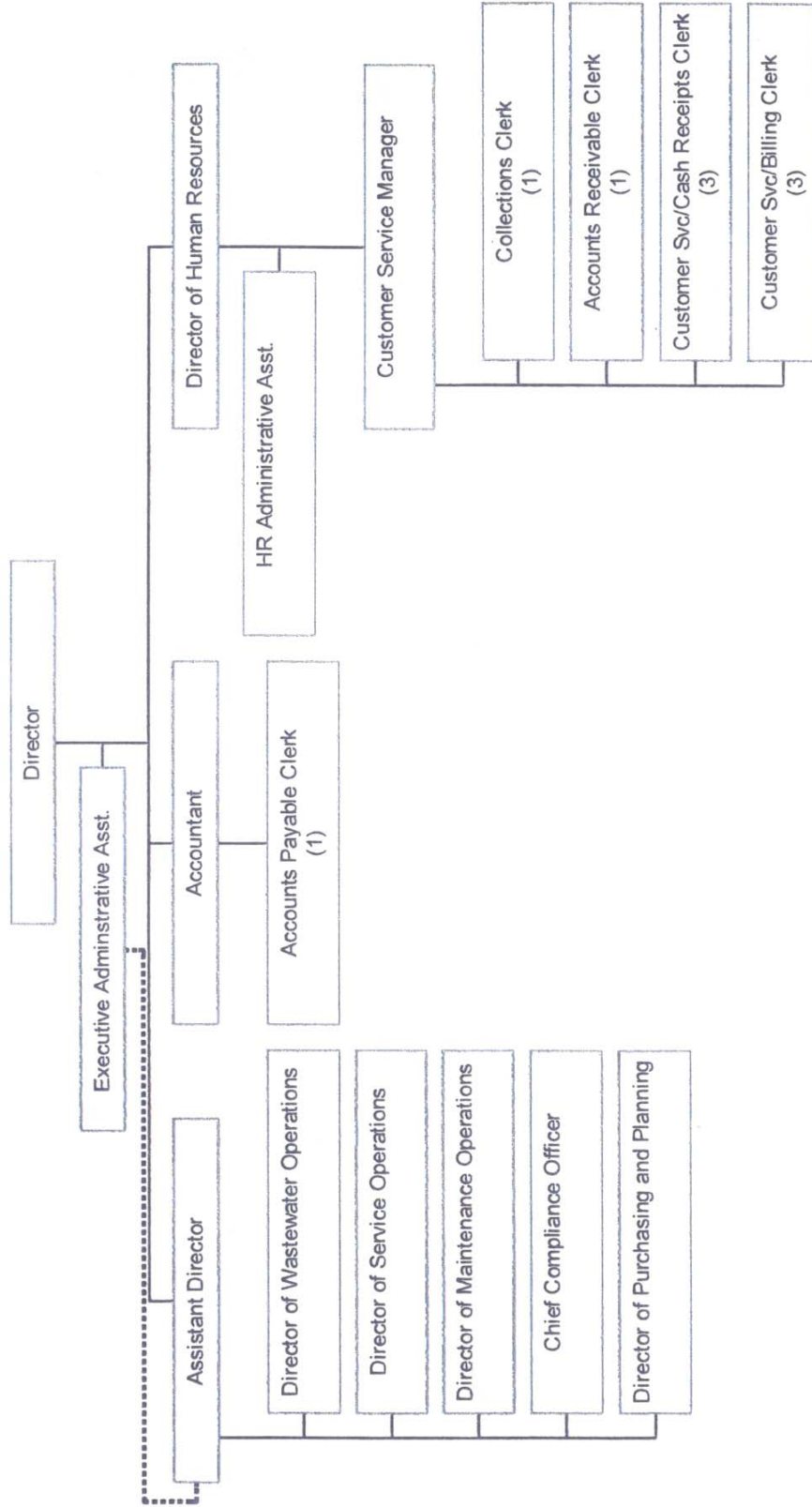
## **Acknowledgements**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. Credit also must be given to the Board of Commissioners for their support in maintaining the highest standards of professionalism in the management of the Authority's finances.

**Larry R. Thomas**  
**Executive Director**



# Upper Management and Other Key Accounting Personnel



As of August 31, 2004



# FINANCIAL SECTION



**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT**

January 14, 2005

To the Board of Commissioners of the  
Ypsilanti Community Utilities Authority  
Ypsilanti, Michigan

We have audited the accompanying basic financial statements of the *Ypsilanti Community Utilities Authority* as of and for the years ended August 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ypsilanti Community Utilities Authority as of August 31, 2004 and 2003, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2005, on our consideration of the Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, in a separately issued single audit report. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary financial schedules have been subjected to the auditing procedures applied in the audit of the basic 2004 financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a prominent initial 'L'.

## MANAGEMENT'S DISCUSSION and ANALYSIS



## **Management's Discussion and Analysis**

As management of the *Ypsilanti Community Utilities Authority* we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2004. We encourage readers to consider the information presented herein conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal by \$175,111,864 (*net assets*). Of this amount, \$7,093,271 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets increased by \$43,784,981.
- The Authority's total long-term debt (i.e., bonds and capital leases) increased by \$7,205,001 during the current fiscal year; \$9.4 million of new debt was incurred during the year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of:

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

- The *statement of cash flows* presents the change in the Authority's cash and investments for the most recent fiscal year.
- The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Generally, these schedules provide a breakdown of revenue and expenses between the political subdivisions (i.e., the City and Township) and/or the primary operating functions (i.e., water and wastewater), along with a comparison of planned and actual expenses.

The Authority presents its supplementary financial information classified into the components of city, township, water and wastewater. The city and township divisions together comprise the activity of the Authority in total. The water and wastewater divisions together also comprise the activity of the Authority in total. The water and wastewater divisions assist management in assessing the financial activity of the Authority's principal functions. The city and township divisions assist the member communities in assessing the impact of operations on their constituents.

The Authority operates a single wastewater treatment plant, obtains its water from a single source and maintains a single group of related supporting functions. It is not possible to directly associate the cost of these activities to the city or township divisions. Instead, the reporting by division is achieved by allocating particular revenue and expense account balances using relevant objective measures. Similar allocations are used to produce financial information for the water and wastewater divisions.

### **Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of YCUA, assets exceeded liabilities by \$175,111,864 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (84 percent) is its investment in capital assets (e.g., land, buildings, systems, equipment and construction in process), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although YCUA's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net assets (12 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Authority's ongoing obligations to system users and creditors.

At the end of the current fiscal year, the Authority is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year.

#### YCUA's Net Assets

	<b>2004</b>	<b>2003</b>
Current and other assets	\$ 22,205,946	\$ 20,387,983
Restricted assets	20,575,058	33,352,321
Capital assets	214,686,757	152,786,027
<b>Total assets</b>	<b>257,467,761</b>	<b>206,526,331</b>
Long-term liabilities outstanding	69,934,402	62,849,974
Other liabilities	12,421,495	12,349,474
<b>Total liabilities</b>	<b>82,355,897</b>	<b>75,199,448</b>
Net assets:		
Invested in capital assets, net of related debt	147,015,183	94,596,395
Restricted	20,575,058	33,352,321
Unrestricted	7,521,623	3,378,167
<b>Total net assets</b>	<b>\$175,111,864</b>	<b>\$131,326,883</b>

The Authority's net assets increased by \$43,784,981 during the current fiscal year. Key elements of this increase include:

- Capital contributions of nearly \$39.0 million were made to the Authority.
- Water sales increased by \$1,147,502 (or 13.3 percent) primarily through rate increases; direct costs for water distribution increased by \$571,742 (or 6.6 percent).
- Sewage disposal sales increased by \$1,039,726 (or 7.9 percent) primarily through rate increases, also. Total wastewater generated by the City and Township increased by 0.5 percent, whereas wastewater treated for WTUA decreased 1.2 percent.
- Total operating expenses declined by \$211,579 or 0.8 percent reflecting the effects of cost control measures implemented during late fiscal 2002-03.

- Both the city and township divisions had rate increases as follows:
  - The city division increased sewer rates 3.0 percent and changed the surcharge from 54.0 percent to 80.0 percent; these increases all became effective July 1, 2004. Prior to that, effective July 1, 2003, sewer rates had increased 3.0 percent, water rates 8.0 percent and the surcharge from 32.0 percent to 54.0 percent.
  - The township division increased sewer rates 3.0 percent and water rates 17.97 percent effective July 1, 2004 and September 1, 2004, respectively. Previously, effective July 1, 2003, the township water rate had increased 15.0 percent, the sewage rate 3.0 percent and 5.0 percent surcharge was added.

#### YCUA's Changes in Net Assets

	<b>2004</b>	<b>2003</b>
Operating revenue	\$ 30,017,246	\$ 25,897,929
Expenses:		
Water distribution	10,040,526	9,627,598
Wastewater treatment	15,520,583	16,145,090
Total expenses	25,561,109	25,772,688
Operating income	4,456,137	125,241
Non-operating revenue	343,260	273,549
Net income	4,799,397	398,790
Capital contributions	38,985,584	29,806,508
Change in net assets	43,784,981	30,205,298
Net assets - beginning	131,326,883	101,121,585
Net assets - end of year	\$175,111,864	\$131,326,883



## **Capital Asset and Debt Administration**

**Capital assets.** YCUA's investment in capital assets as of August 31, 2004, amounted to \$214.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants, transmission lines, vehicles and other equipment. Total net capital assets increased by \$61.9 million or 40.5 percent. The vast majority of the increase is attributable to the wastewater treatment plant expansion and improvements.

### **YCUA's Capital Assets** (net of depreciation)

	<u>2004</u>	<u>2003</u>
Land	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,418,212	1,472,611
Wastewater treatment plan	29,037,552	32,769,159
Water and wastewater systems	75,319,012	64,692,036
Vehicles	821,655	833,685
Equipment	1,974,971	1,973,455
Construction in process	<u>104,816,651</u>	<u>49,746,377</u>
Total	<u>\$214,686,757</u>	<u>\$152,786,027</u>

Additional information on the Authority's capital assets can be found in Note 3-D on page 21 of this report.

**Long-term debt.** At year-end, the Authority had \$69,662,218 of long-term debt including limited tax obligation bonds, capital leases and other obligations as summarized below.

### **YCUA's Outstanding Debt**

	<u>2004</u>	<u>2003</u>
Limited tax obligation bonds	\$ 33,181,992	\$ 31,290,755
Capital leases	35,330,226	30,016,462
Environmental liability	<u>1,150,000</u>	<u>1,150,000</u>
Total	<u>\$ 69,662,218</u>	<u>\$ 62,457,217</u>

Additional information on the Authority's long-term debt can be found in Note 3-E on pages 22-27 of this report.

## **Economic Factors Affecting Next Year's Operations and Rates**

The City and Township independently set their own water rates. Wastewater operation and maintenance rates are the same for each community, a requirement imposed by the federal government when it provided funds to build the original wastewater treatment plant.

Water and wastewater revenues fluctuate from year-to-year depending on factors such as consumer behavior, population growth, industrial usage and rate changes. Consumer behavior is affected by local economic conditions, the weather, conservation education efforts and imposition of water restrictions.

Other factors also affect the Authority's operating plan for fiscal 2005. The most significant among them are changes in consumer behavior in response to local economic conditions, the effects of inflation on the local labor market and health care costs, and the rates charged by the Authority's water supplier (i.e., the City of Detroit Water Board).

YCUA's plan reflects a belief that local economic conditions will not change significantly from those during fiscal 2004. Inflation in the local labor markets will remain moderate, whereas inflation in Detroit water rates and health care costs will be significant. In response to these factors and prior year operating losses, ordinances have been passed to increase water and wastewater rates as previously described.

The Authority's operating budget for fiscal 2005 is approximately \$31 million; key provisions include:

- An increase of roughly 10 percent in operating revenue attributable to rate increases.
- A net increase of 5.0 percent in operating expenses due to escalating costs for purchased water, preparations at the wastewater treatment plant to accept new flow late in the fiscal year, and health care costs.

The capital budget for fiscal 2005 totals approximately \$30 million due to the large investment in the expansion and rehabilitation at the wastewater treatment plant. Delivering water to our customers and collecting and treating the wastewater generated are the primary functions of the Authority. In addition, planning for the future water and wastewater needs of our communities is a vital function. Other capital asset activity scheduled to occur in addition to the plant expansion includes:

- Construction of an additional water connection from the Detroit water distribution system. As the municipalities to which YCUA provides water continue to grow, an additional connection is needed for redundancy, so that if our present connection is down for repairs or other emergency, we can continue to supply uninterrupted water to our customers.

- Many water and sewer mains within the City and Township have been identified as needing replacement, either because of age or inadequate size. These replacements are being scheduled as time and funds permit. In fiscal 2005, about two miles of water main in the City and Township are scheduled for replacement.
- Sewer improvements include installing by-pass provisions around four pumping stations, lining approximately two miles of sewer main, and the rehabilitation of a manhole in a major interceptor.
- Demolition of the abandoned township division water plant to eliminate liability exposure associated with such structures.

### **Requests for Information**

This financial report is designed to provide a general overview of YCUA's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ypsilanti Community Utilities Authority, Accounting Department, 2777 State Road, Ypsilanti, Michigan 48198.

## BASIC FINANCIAL STATEMENTS

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Statements of Net Assets**

	<b>August 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 8,999,018	\$ 8,136,360
Receivables, net	10,743,825	10,564,060
Inventories	628,052	616,513
Prepaid items	144,820	87,126
Total current assets	20,515,715	19,404,059
Noncurrent assets:		
Restricted assets:		
Cash and investments	18,477,400	31,582,218
Funds on deposit with City of Ypsilanti	2,097,658	1,770,103
Receivables, long-term portion	847,091	510,087
Capital assets not being depreciated	106,115,355	51,045,081
Capital assets being depreciated, net	108,571,402	101,740,946
Unamortized bond issuance costs	843,140	473,837
Total noncurrent assets	236,952,046	187,122,272
Total assets	257,467,761	206,526,331
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	8,250,009	9,320,162
Retentions, deposits and other liabilities	3,648,569	2,573,734
Accrued interest payable	522,917	455,578
Current maturities of long-term liabilities	2,859,121	2,295,842
Current maturities of accrued compensated absences	556,413	572,569
Total current liabilities	15,837,029	15,217,885
Long-term liabilities:		
Bonds payable	32,071,671	30,556,880
Capital leases payable	33,540,782	28,482,086
Environmental liability	350,000	350,000
Accrued compensated absences	556,415	592,597
Total long-term liabilities	66,518,868	59,981,563
Total liabilities	82,355,897	75,199,448
<b>Net assets</b>		
Invested in capital assets, net of related debt	147,015,183	94,596,395
Restricted	20,575,058	33,352,321
Unrestricted	7,521,623	3,378,167
Total net assets	\$ 175,111,864	131,326,883

The accompanying notes are an integral part of these financial statements.

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Statements of Revenues, Expenses and Changes in Net Assets**

	<b>For the Year Ended August 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Operating revenue</b>		
Water sales	\$ 9,763,879	\$ 8,616,377
Sewage disposal sales	14,274,813	13,235,087
Surcharges and other usage fees:		
Capital improvement surcharge	2,933,164	1,770,749
Construction reserve	333,539	352,915
Environmental reserve	93,326	93,542
Capital cost recovery	289,917	286,431
Other operating revenue	2,408,713	2,248,813
Sales discounts	(80,105)	(705,985)
Total operating revenue	<u>30,017,246</u>	<u>25,897,929</u>
<b>Operating expenses</b>		
Water distribution	5,873,120	5,282,942
Wastewater treatment	10,062,008	10,882,313
Wastewater pump stations	771,991	805,890
Industrial surveillance	174,773	146,967
Transmission and distribution	4,938,907	5,049,571
Meter service	1,147,385	1,121,564
Customer accounting and collections	680,264	651,361
General and administration	1,912,661	1,832,080
Total operating expenses	<u>25,561,109</u>	<u>25,772,688</u>
Operating income	<u>4,456,137</u>	<u>125,241</u>
<b>Non-operating income (expense)</b>		
Investment earnings	1,181,681	21,493
Connection fees	2,145,105	1,066,491
Debt service contribution	206,509	211,511
Interest and amortization expense	(1,220,577)	(1,023,113)
Gain (loss) on disposal of capital assets	(1,969,458)	(2,833)
Total non-operating income (expense)	<u>343,260</u>	<u>273,549</u>
Net income	4,799,397	398,790
<b>Capital contributions</b>	<u>38,985,584</u>	<u>29,806,508</u>
Change in net assets	43,784,981	30,205,298
Net assets, beginning of year, as restated	<u>131,326,883</u>	<u>101,121,585</u>
<b>Net assets, end of year</b>	<u>\$ 175,111,864</u>	<u>\$ 131,326,883</u>

The accompanying notes are an integral part of these financial statements.

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Statements of Cash Flows**

	<b>For the Year Ended August 31,</b>	
	<b>2004</b>	<b>2003</b>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 28,403,934	\$ 25,689,269
Payments to suppliers	(11,326,499)	(10,879,939)
Payments to employees and employee benefits	(10,187,734)	(10,576,744)
Net cash provided by operating activities	6,889,701	4,232,586
 <b>Cash flows from capital and related financing activities</b>		
Proceeds from issuance of long-term debt	9,278,843	32,691,332
Payment of bond issuance costs	(155,622)	(224,420)
Bond reserve funds deposited with the City of Ypsilanti	(327,555)	(1,381,448)
Acquisition and construction of capital assets	(66,403,227)	(30,944,910)
Principal payments on long-term debt	(2,205,842)	(6,403,879)
Interest payments on long-term debt	(2,933,880)	(2,345,969)
Receipts for debt service costs	206,509	211,511
Receipts from capital contributions	39,972,039	18,624,072
Receipts from connection fees	2,145,105	1,066,491
Net cash provided by (used in) capital and related financing activities	(20,423,630)	11,292,780
 <b>Cash flows from investing activities</b>		
Earnings received on investments	1,291,769	293,890
 Net increase (decrease) in cash and investments	(12,242,160)	15,819,256
 Cash and investments, beginning of year	39,718,578	23,899,322
 <b>Cash and investments, end of year</b>	\$ 27,476,418	\$ 39,718,578
 <b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 4,456,137	\$ 125,241
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	4,502,497	4,296,311
Changes in current assets and liabilities:		
Receivables	(1,613,312)	(208,660)
Inventories	(11,539)	123,659
Prepaid items	(57,694)	42,999
Accounts payable	(1,070,153)	(807,928)
Retentions, deposits and other liabilities	736,103	741,053
Accrued compensated absences	(52,338)	(80,089)
 <b>Net cash provided by operating activities</b>	\$ 6,889,701	\$ 4,232,586

The accompanying notes are an integral part of these financial statements.

## NOTES to the FINANCIAL STATEMENTS



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 1-A. Reporting Entity

The accompanying financial statements present the activities of the Ypsilanti Community Utilities Authority (the “Authority”). The Authority has no component units – i.e., separately legal entities for which the Authority is financially accountable – nor is it reported as a component unit of another government.

The Authority was formed on March 19, 1974, when the City of Ypsilanti (the “City”) and Ypsilanti Township (the “Township”) entered into an agreement to create a utility authority pursuant to Public Act 233 of 1955, as amended. The two governments approved the Authority’s Articles of Incorporation on September 3, 1974.

On October 1, 1974, a contract was executed between the Authority and the two governments giving the Authority the responsibility for providing water distribution and wastewater treatment services to residents of the City and Township. This responsibility includes all activities necessary to provide such services including but not limited to: administration, operations, maintenance, financing, debt service, billing and collections. The contract also permits the Authority to expand and improve both the water and wastewater systems.

A five-member board of commissioners governs the Authority. Three of the members are appointed by the Township, the other two are appointed by the City.

In addition to serving residents of the City and Township, the Authority also sells water distribution and wastewater treatment services capacity to neighboring governments under contractual agreements.

#### 1-B. Basis of Presentation / Measurement Focus / Basis of Accounting

The Authority’s uses a single proprietary or enterprise fund to account for and report its financial activities, which are limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, which for the Authority is water distribution and wastewater treatment. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### 1-C. Assets, Liabilities and Equity

#### Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize local governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments, if any, are stated at fair value.

#### Receivables

Trade receivables are shown net of an allowance for uncollectible non-residential accounts; an allowance is not made for residential accounts since any such delinquencies may be added to the City and/or Township property tax rolls for collection.

The receivable from the Western Townships Utility Authority (WTUA) represents amounts due from that entity for its agreed-upon capital contributions to the Authority's wastewater treatment plant expansion project.

#### Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

#### Restricted Assets

The proceeds of certain bond issues or capital lease agreements with the City and/or Township, as well as certain other resources, are classified as restricted assets on the statement of net assets to indicate that their use is limited as stipulated by contract or ordinance.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost. The Authority defines capital assets as: assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. For the years ending August 31, 2004 and 2003, net interest costs of \$1,909,929 and \$1,448,499, respectively, were capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	40
Water and wastewater system infrastructure	5-50
Vehicles and heavy equipment	5-20
Machinery and equipment	5-20

### Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick leave pay benefits, subject to certain limitations. All vacation and sick pay are accrued when incurred since 100 percent of the unused benefits are payable upon employee separation from service with the Authority.

### Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### 2-A. Budgetary Information

State statutes provide that local units shall adopt budget appropriations for general and special revenue funds (i.e., governmental fund types); as such, the Authority is not required to adopt a budget for State compliance purposes. However, under its contract with the City and Township the Authority is required to prepare an annual operating budget that is subject to review and approval by the Authority Board, as well as the governing boards of the City and Township.

#### 2-B. Rate Setting

Any rate changes, including increases, must be approved by the Authority Board, as well as the governing board of either the City or Township depending on the particular service and service area. That is, the Ypsilanti City Council has the ultimate rate setting responsibility for users located in the City, whereas the Ypsilanti Township Board has the ultimate responsibility for users located in the Township.

### NOTE 3 – DETAILED NOTES

#### 3-A. Deposits and Investments

Following is a summary of deposit and investment balances as of August 31:

	<u>2004</u>	<u>2003</u>
<b>Statement of Net Assets:</b>		
Cash and investments	\$ 8,999,018	\$ 8,136,360
Restricted cash and investments	<u>18,477,400</u>	<u>31,582,218</u>
<b>Total</b>	<b><u>\$ 27,476,418</u></b>	<b><u>\$ 39,718,578</u></b>
<b>Deposits and Investments:</b>		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 8,064,136	\$ 7,343,301
Investments in securities and money market accounts	19,411,232	32,374,227
Cash on hand	<u>1,050</u>	<u>1,050</u>
<b>Total</b>	<b><u>\$ 27,476,418</u></b>	<b><u>\$ 39,718,578</u></b>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

*Deposits.* At August 31, 2004, the carrying amount of deposits was \$8,064,136. The bank balance was \$8,365,927. Of the bank balance, \$700,000 was covered by federal depository insurance. The remaining balance of \$7,665,927 was 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 bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

*Investments.* The Authority's investments have been classified into the following three categories of credit risk: (1) insured or registered, or securities held by the Authority or its agent in the Authority's name; (2) uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name; or (3) uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name.

The following schedule classifies the Authority's investments as of August 31, 2004, into the above noted categories:

	<u>Category</u>			<b>Carrying Amount (Fair Value)</b>
	<u>1</u>	<u>2</u>	<u>3</u>	<b><u>Uncategorized</u></b>
U.S. government securities	<u>\$ -</u>	<u>\$ 7,679,534</u>	<u>\$ -</u>	\$ 7,679,534
Cash management funds (uncategorized as to risk)				<u>\$ 11,731,698</u>
<b>Total investments</b>				<b><u>\$ 19,411,232</u></b>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-B. Receivables

Receivables as of August 31 are summarized as follows:

	<u>2004</u>	<u>2003</u>
Accounts	\$ 6,259,454	\$ 4,987,787
Due from Western Townships Utility Authority	4,241,955	5,228,410
Due from City of Ypsilanti	-	38,746
Accrued investment interest	73,875	183,963
Benefit charges	200,230	380,399
Special assessments	707,080	125,596
Note	<u>108,322</u>	<u>129,246</u>
	11,590,916	11,074,147
Less long-term portion of benefit charges, special assessments and note	<u>(847,091)</u>	<u>(510,087)</u>
	<u>\$ 10,743,825</u>	<u>\$ 10,564,060</u>

The benefit charges are amounts that certain property owners owe the Authority in lieu of special assessments to cover construction costs of water and wastewater line extensions. Such amounts are payable over 30 equal bi-monthly installments plus interest at an annual rate of 7.0%. The special assessments, which represent liens against the applicable properties, mature through December 2024 and are due in equal annual installments plus interest at 5.0% of the outstanding balance. The note receivable, which is due from Willow Run Airport, is unsecured and matures in December 2008 with monthly installments of \$2,613 including interest at 9.5% per annum.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-C. Restricted Assets

Restricted cash and investments as of August 31 are summarized as follows:

<u>Description / Reference</u>	<u>2004</u>	<u>2003</u>
Township bond and interest reserve		
Ordinance No. 11, section 13; amended by Ordinance No. 47	\$ 312,482	\$ 304,457
Township construction reserve surcharge		
Ordinance No. 124, sections A(10) and B(9)	1,917,582	1,438,639
City construction reserve surcharge		
Ordinance No. 697, section 2.137	755,507	666,269
City debt retirement and capital improvements surcharge		
Ordinance No. 696, amended by Ordinance No. 959	654,848	694,483
Wastewater treatment plant improvement reserve		
WTUA wastewater disposal agreement, as amended	389,376	386,432
EPA replacement reserve		
EPA regulatory requirements	1,641,860	1,625,079
Township environmental reserve surcharge		
Ordinance No. 11, section 9; amended by Ordinance No. 134	1,457,639	1,440,912
WTUA construction trust account		
WTUA wastewater disposal agreement, as amended	9,745,145	22,680,771
Construction project bond/capital lease proceeds		
Bond ordinances	<u>1,602,961</u>	<u>2,345,176</u>
	<u>\$ 18,477,400</u>	<u>\$ 31,582,218</u>



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-D. Capital Assets

Capital assets activity for the year ended August 31, 2004 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	49,746,377	55,070,274	-	104,816,651
Total capital assets not being depreciated	51,045,081	55,070,274	-	106,115,355
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	66,154,170	95,402	(4,367,235)	61,882,337
Water and wastewater systems	99,435,390	12,624,183	(15,876)	112,043,697
Vehicles	2,473,891	150,585	(183,721)	2,440,755
Equipment	3,067,695	432,242	(147,881)	3,352,056
Total capital assets being depreciated	173,301,069	13,302,412	(158,910)	181,888,768
Less accumulated depreciation for:				
Buildings and improvements	697,312	54,399	-	751,711
Wastewater treatment plant	33,430,425	1,828,883	(2,414,523)	32,844,785
Water and wastewater systems	34,743,354	1,997,207	(15,876)	36,724,685
Vehicles	1,640,206	150,565	(171,671)	1,619,100
Equipment	1,048,826	471,443	(143,184)	1,377,085
Total accumulated depreciation	71,560,123	4,502,497	(2,745,254)	73,317,366
Total capital assets being depreciated, net	101,740,946	8,799,915	(1,969,459)	108,571,402
Total capital assets, net	\$ 152,786,027	\$ 63,870,189	\$ (1,969,459)	\$ 214,686,757

The Authority has active construction projects as of August 31, 2004. The primary projects include the expansion and renovation of the wastewater treatment plant, a second water connection to the supplier and various water distribution system improvements. At year-end, the Authority had spent roughly \$82.4 million on these projects and its remaining commitments were approximately \$45.1 million. These projects are being financed through a combination of bond issues, capital lease agreements (with underlying bond issues generally through the City), and capital contributions from other governments under agreements to lease system capacity.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-E. Long-term Debt

*Limited tax obligation bonds.* The Authority issues bonds that are backed by the full faith and credit of the City or Township, but where the income derived from the acquired or constructed assets is intended to pay debt service. These bonds are issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. The original amount of bonds issued in prior years for the items listed below was \$37,318,677. During the year, no new bonds were issued, although the cash draws against the 2003 Drinking Water Revolving Fund bond amounted to \$2,546,237, which was the amount of project construction costs incurred through year end. The total amount authorized under this issue is \$3,355,000; accordingly, \$580,064 is still available and expected to be drawn.

Limited tax obligation bonds outstanding at year-end are as follows:

	<u>Credit</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
1994B refunding	City	2.75%	\$ 235,000	\$ -	\$ (235,000)	\$ -	\$ -
1998 water (DWRF)	Twp	2.50%	2,782,056	-	-	2,782,056	190,000
1999 water (DWRF)	City	2.50%	795,000	-	-	795,000	40,000
1999 sewer	Twp	4.90-5.35%	1,300,000	-	(50,000)	1,250,000	55,000
2000 sewer	Twp	5.00-5.10%	2,405,000	-	(80,000)	2,325,000	85,000
2001 sewer	Twp	4.875-5.10%	6,895,000	-	(115,000)	6,780,000	120,000
2002 sewer	Twp	3.00-5.00%	14,800,000	-	(175,000)	14,625,000	200,000
2003 water	Twp	3.00-4.35%	1,850,000	-	-	1,850,000	-
2003 water (DWRF)	Twp	2.50%	228,699	2,546,237		2,774,936	-
			<u>\$31,290,755</u>	<u>\$ 2,546,237</u>	<u>\$ (655,000)</u>	<u>\$ 33,181,992</u>	<u>\$ 690,000</u>

DWRF - Drinking Water Revolving Fund sponsored/administered by the Michigan Municipal Bond Authority.

Because certain principal and interest payments on the above bonds are due September 1, the Authority made payment on those obligations on or before August 31, 2004. As such, since the amounts *due within one year* for certain issues above were already paid, no amounts are shown as payable within one year. A similar situation holds true for certain of the lease payable obligations shown on page 27.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Annual debt service requirements to maturity for limited tax obligation bonds are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 745,000	\$ 1,357,890
2006	805,000	1,335,888
2007	840,000	1,303,541
2008	885,000	1,273,977
2009	925,000	1,240,055
2010-2014	5,290,000	5,647,150
2015-2019	5,947,056	4,503,296
2020-2024	5,490,000	3,174,900
2025-2029	5,770,000	1,831,050
2030-2032	3,710,000	354,822
	<u>30,407,056</u>	<u>\$22,022,569</u>
Unscheduled amortization	<u>2,774,936</u>	
	<u>\$33,181,992</u>	

The “unscheduled amortization” amount shown above represents the project-to-date cash draws on the 2003 Drinking Water Revolving Fund project. Once the final cash draw is made on the project, the debt amortization schedule with principal and interest repayments will be finalized. Currently, the planned principal maturities for this issue are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>
2005	\$ 130,000
2006	135,000
2007	140,000
2008	140,000
2009	145,000
2010-2014	780,000
2015-2019	885,000
2020-2024	<u>1,000,000</u>
	<u>\$ 3,355,000</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

*Capital leases.* The Authority has entered into various agreements, primarily with the City, for the construction and operation of system expansions and improvements, which constitute capital leases under Financial Accounting Standards Board Statements No. 13. With the exception of the building capital lease below (which is an agreement between the Authority and the Township), each lease represents a limited tax obligation or revenue bond issued by the City and for which income derived from the capital assets is pledged to pay debt service. Accordingly, the Authority's obligation to pay principal and interest under each lease is equal to the City's obligation for the related bond. When the debt is retired, title to the related capital asset will vest with the Authority.

The original amount of capital lease obligations entered into in prior years for the items listed below was \$48,013,163. During the year, new capital leases totaling \$9,030,000 were entered into, although the cash draws against certain of those agreements (one of which was financed through the Drinking Water Revolving Fund and the other the City is holding the related bond proceeds) was limited to \$2,376,064, which was the amount of project construction costs incurred through year end. Additionally, cash draws totaling \$4,488,542 were made during the year on three capital leases entered into the previous fiscal year. The total amount authorized under these five capital leases is \$16,615,000; accordingly, \$7,267,292 is still available and expected to be drawn to finance project construction costs.

Capital leases outstanding at year-end are as follows:

	<b>Credit</b>	<b>Interest Rates</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Building	n/a	10.70%	\$ 958,360	\$ -	\$ (120,842)	\$ 837,518	\$ 134,121
1994 sewer	County	5.10%	2,825,000	-	(855,000)	1,970,000	850,000
1999 sewer	County	4.00-4.20%	565,000	-	(100,000)	465,000	130,000
1995 water and sewer	City	5.375%	505,000	-	(130,000)	375,000	-
2001 water and sewer	City	4.00-6.00%	3,980,000	-	(25,000)	3,955,000	-
2002A water and sewer	City	4.00-5.00%	4,970,000	-	(35,000)	4,935,000	-
2002B water (DWRf)	City	2.50%	460,000	-	-	460,000	20,000
2002C water and sewer	City	4.00-5.00%	8,470,000	-	(190,000)	8,280,000	-
2003A water and sewer	City	1.20-4.10%	4,800,000	-	(95,000)	4,705,000	-
2003B water and sewer	City	3.50-4.25%	204,444	1,151,700	-	1,356,144	-
2003C water (DWRf)	City	2.50%	95,921	602,449	-	698,370	30,000
2003D water (DWRf)	City	2.50%	2,182,737	2,734,393	-	4,917,130	205,000
2004A water and sewer	City	3.30-4.55%	-	816,560	-	816,560	-
2004B water (DWRf)	City	2.125%	-	1,559,504	-	1,559,504	-
			<u>\$30,016,462</u>	<u>\$ 6,864,606</u>	<u>\$ (1,550,842)</u>	<u>\$ 35,330,226</u>	<u>\$ 1,369,121</u>

DWRf - Drinking Water Revolving Fund sponsored/administered by the Michigan Municipal Bond Authority.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Capital leases debt service requirements to maturity are as follows:

<b>Year Ended</b> <b>August 31,</b>	<b>Principal</b>	<b>Interest</b>
2005	\$ 1,134,121	\$ 823,033
2006	1,983,859	1,291,754
2007	1,505,217	1,193,835
2008	1,093,372	1,128,904
2009	1,155,949	1,075,129
2010-2014	5,330,000	4,751,842
2015-2019	5,670,000	3,620,222
2020-2024	6,790,000	2,228,941
2025-2028	<u>5,520,000</u>	<u>542,156</u>
	30,182,518	<u>\$ 16,655,816</u>
Unscheduled amortization	7,175,004	
Scheduled, not drawn	<u>(2,027,296)</u>	
	<u>\$ 35,330,226</u>	

The “unscheduled amortization” amount shown above represents the project-to-date cash draws on the two Drinking Water Revolving Fund projects. Once the final cash draws are made on the projects, the debt amortization schedules with principal and interest repayments will be finalized. Currently, the planned principal maturities for these obligations are as follows:

<b>Year Ended</b> <b>August 31,</b>	<b>Principal</b>
2005	\$ 235,000
2006	495,000
2007	510,000
2008	530,000
2009	540,000
2010-2014	2,880,000
2015-2019	3,220,000
2020-2024	3,620,000
2025	<u>385,000</u>
	<u>\$12,415,000</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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Finally, the “scheduled, not drawn” amount shown above represents the bond proceeds balance of \$2,027,296 (total proceeds of \$4,200,000 less cash draws of \$2,172,704) being held by the City at year-end. In this instance, the debt principal and interest repayment requirements are known and included in the schedule of maturities, but the held bond proceeds are deducted until the capital costs are incurred and the monies drawn.

*Environmental liability.* In fiscal 1988, the U.S. Environmental Protection Agency (EPA) notified the Authority that it had been named a potential responsible party (PRP) for contaminated sites commonly known as the Willow Run Sludge Lagoon, Tyler Pond, and Willow Creek. The other entities named as PRP’s in this matter included the Township, Wayne County, Ford Motor Company, General Motors Corporation, the University of Michigan and the federal government.

In fiscal 1995, the named PRP’s entered into an agreement to fund the cost of the clean up. Based on this agreement, the Authority recorded a liability totaling \$1,150,000 and provided that it will: (1) make three annual payments of \$250,000 each beginning in 2002; and (2) pay up to an additional \$500,000 for certain water treatment costs over a period of not more than 30 years with no more than \$50,000 payable in any one year. Through August 31, 2004, two payments of \$50,000 each were made between fiscal 1997 and 1998. Since that time, the Authority has not been invoiced or otherwise instructed to make any payments.

Nevertheless, until the Authority is officially notified of its release from liability, the obligation for this matter will be carried on the financial statements. Of the total liability, \$800,000 is reported as a current liability (i.e., two payments of \$250,000 each and six payments of \$50,000 each) and \$350,000 is reported as long-term.

*Compensated absences.* The Authority records a liability for accrued compensated absences, which includes earned but unused vacation and sick leave. The liability is classified between current and long-term portions based on estimated usage.

*Lease adjustment.* During fiscal 2003, the City completed a partial advance refunding of a bond issue that was the underlying obligation for one of the Authority’s capital leases with the City. As a result of this transaction, \$4,060,000 of debt related to the 1995 water and sewer lease was removed from the Authority’s financial statements and replaced by the 2003A water and sewer lease in the amount of \$4,800,000. Accordingly, a deferred loss of \$458,534 on the lease adjustment (i.e., the difference between new lease obligation and the old, net of a bond reserve held by the City in the amount of \$281,466) was recorded by the Authority and is being amortized over the term of the related lease agreement.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

*Changes in long-term debt.* Following is a summary of long-term debt activity for the year ended August 31, 2004:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Limited tax obligation bonds	\$ 31,290,755	\$ 2,546,237	\$ (655,000)	\$ 33,181,992	\$ 690,000
Capital leases	30,016,462	6,864,606	(1,550,842)	35,330,226	1,369,121
Environmental liability	1,150,000	-	-	1,150,000	800,000
Compensated absences	1,165,166	1,025,546	(1,077,885)	1,112,827	556,413
	<u>63,622,383</u>	<u>10,436,389</u>	<u>(3,283,727)</u>	<u>70,775,045</u>	<u>3,415,534</u>
Deduct deferred amounts:					
For issuance discounts	(313,875)	(132,000)	25,554	(420,321)	-
For lease adjustment	(458,534)	-	38,211	(420,323)	-
	<u>\$ 62,849,974</u>	<u>\$ 10,304,389</u>	<u>\$ (3,219,962)</u>	<u>\$ 69,934,401</u>	<u>\$ 3,415,534</u>

### 3-F. Capital Contributions

The sources of capital contributions for the year ended August 31 are summarized as follows:

	<b>2004</b>	<b>2003</b>
Western Townships Utility Authority	\$ 33,789,193	\$ 20,697,128
Superior Township	-	6,350,000
Ypsilanti Township	-	2,549,524
City of Ypsilanti	-	114,532
Private developers	5,156,460	-
Other	39,931	95,324
	<u>\$ 38,985,584</u>	<u>\$ 29,806,508</u>

## NOTE 4 – OTHER INFORMATION

### 4-A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee injuries; and natural disasters, as well as medical and death benefits provided to employees. The Authority purchases commercial insurance to cover all risks of losses. The Authority has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### **4-B. Contingent Liabilities**

Amounts received or receivable from grantor agencies, including amounts borrowed under the Drinking Water Revolving Fund program, are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

### **4-C. Postemployment Benefits**

The Authority provides certain health care benefits to all full-time employees upon retirement, in accordance with the applicable labor agreements. These benefits are integrated with Medicare to provide benefits comparable to those received at date of retirement for the employee's life. For the current year, 64 retirees received benefits at a cost to the Authority of \$860,464.

### **4-D. Defined Benefit Pension Plan**

The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

The Authority is required to contribute at an actuarially determined rate; the current rate is 11.93% of annual covered payroll. The Authority's unionized employees are required to contribute 1.0% of their annual covered payroll to the plan, whereas non-union employees are required to contribute 4.0%. The contribution requirements of the Authority are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Authority, subject to collective bargaining agreements and depending on the MERS contribution program adopted by the Authority.



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

For the year ended August 31, 2004, the Authority's annual pension cost of \$775,472 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, ranged from 28 to 36 years.

### Three-Year Trend Information

<u>Annual Years Ended August 31,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2002	\$775,426	100%	\$ -
2003	906,741	100	-
2004	775,472	100	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/00	\$17,401,215	\$24,096,539	\$6,695,324	72%	\$6,647,962	101%
12/31/01	18,719,673	25,379,376	6,659,703	74%	6,878,141	97%
12/31/02	19,401,776	28,385,781	8,984,005	68%	7,549,584	119%
12/31/03	20,994,213	29,319,302	8,325,089	72%	6,768,365	123%

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### 4-E. Restatements

The Authority's beginning net assets as of September 1, 2002, were increased by \$338,732 to restate (or reduce) the liability accrual for the estimated cost to excavate and haul ash from the settling lagoons.

### 4-F. Supplementary Schedules and Allocation Methods

The supplementary schedules as listed in the table of contents present financial information of the Authority separated by component or division. For such purposes, the City and Township divisions together comprise the Authority, in aggregate, as is the same for the Water and Wastewater divisions. In certain instances, revenues and expenses are directly attributable to the respective divisions, whereas other revenues and expenses are shared or not directly attributable. For these latter items, the Authority uses a variety of objectively measurable allocation methods to equitably distribute the account balances between the applicable divisions. These methods include metered water and sewage flows, work orders, time and attendance, number of meters and so on.

### 4-G. Revised and Reissued Financial Statements

Certain expense allocation errors in the originally issued financial statements for the year ended August 31, 2004, were noted after their issuance. Accordingly, these errors, which were limited to immaterial misclassifications of expenses between certain operating expense captions on the statements of revenues, expenses and changes in net assets, but which did not impact total operating expenses reported, have been corrected with the issuance of these revised financial statements.

A summary of these amounts are as follows:

		As Originally Reported	
	Revised	Reported	Change
Water distribution	\$ 5,873,120	\$ 5,854,122	\$ 18,998
Wastewater treatment	10,062,008	10,136,178	(74,170)
Transmission and distribution	4,938,907	4,902,638	36,269
General and administration	1,912,661	1,893,758	18,903
	<u>\$ 22,786,696</u>	<u>\$ 22,786,696</u>	<u>\$ -</u>

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## SUPPLEMENTARY FINANCIAL INFORMATION

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**City and Township Allocation**  
**For the Year Ended August 31, 2004**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 1,898,864	\$ 7,865,015	\$ 9,763,879
Sewage disposal sales	3,057,411	11,217,402	14,274,813
Surcharges and other usage fees:			
Capital improvement surcharge	2,434,161	499,003	2,933,164
Construction reserve	87,416	246,123	333,539
Environmental reserve	-	93,326	93,326
Capital cost recovery	88,160	201,757	289,917
Other operating revenue	433,067	1,975,646	2,408,713
Sales discounts	2,336	(82,441)	(80,105)
	<u>8,001,415</u>	<u>22,015,831</u>	<u>30,017,246</u>
<b>Operating expenses</b>			
Water distribution	943,227	4,929,893	5,873,120
Wastewater treatment	2,236,790	7,825,218	10,062,008
Wastewater pump stations	167,913	604,078	771,991
Industrial surveillance	38,824	135,949	174,773
Transmission and distribution	1,112,701	3,826,206	4,938,907
Meter service	284,106	863,279	1,147,385
Customer accounting and collections	169,654	510,610	680,264
General and administration	406,720	1,505,941	1,912,661
	<u>5,359,935</u>	<u>20,201,174</u>	<u>25,561,109</u>
Total operating expenses			
Operating income (expense)	<u>2,641,480</u>	<u>1,814,657</u>	<u>4,456,137</u>
<b>Non-operating income (expense)</b>			
Investment earnings	285,942	895,739	1,181,681
Connection fees	26,102	2,119,003	2,145,105
Debt service contribution	169,161	37,348	206,509
Interest and amortization expense	(610,808)	(609,769)	(1,220,577)
Gain (loss) on disposal of capital assets	(550,816)	(1,418,642)	(1,969,458)
	<u>(680,419)</u>	<u>1,023,679</u>	<u>343,260</u>
Non-operating expense			
Net income (loss)	1,961,061	2,838,336	4,799,397
<b>Capital contributions</b>			
	<u>8,688,505</u>	<u>30,297,079</u>	<u>38,985,584</u>
Change in net assets	10,649,566	33,135,415	43,784,981
Net assets, beginning of year, as restated	<u>28,147,307</u>	<u>103,179,576</u>	<u>131,326,883</u>
<b>Net assets, end of year</b>	<u>\$ 38,796,873</u>	<u>\$ 136,314,991</u>	<u>\$ 175,111,864</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues, Expenses and Changes in Net Asset**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2004**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 9,763,879	\$ -	\$ 9,763,879
Sewage disposal sales	-	14,274,813	14,274,813
Surcharges and other usage fees:			
Capital improvement surcharge	1,466,581	1,466,583	2,933,164
Construction reserve	183,995	149,544	333,539
Environmental reserve	-	93,326	93,326
Capital cost recovery	-	289,917	289,917
Other operating revenue	213,240	2,195,473	2,408,713
Sales discounts	(33,085)	(47,020)	(80,105)
	<u>11,594,610</u>	<u>18,422,636</u>	<u>30,017,246</u>
<b>Operating expenses</b>			
Water distribution	5,873,120	-	5,873,120
Wastewater treatment	-	10,062,008	10,062,008
Wastewater pump stations	-	771,991	771,991
Industrial surveillance	-	174,773	174,773
Transmission and distribution	2,377,684	2,561,223	4,938,907
Meter service	572,207	575,178	1,147,385
Customer accounting and collections	340,132	340,132	680,264
General and administration	877,383	1,035,278	1,912,661
	<u>10,040,526</u>	<u>15,520,583</u>	<u>25,561,109</u>
Total operating expenses	<u>10,040,526</u>	<u>15,520,583</u>	<u>25,561,109</u>
Operating income	<u>1,554,084</u>	<u>2,902,053</u>	<u>4,456,137</u>
<b>Non-operating income (expense)</b>			
Investment earnings	180,378	1,001,303	1,181,681
Connection fees	1,072,553	1,072,552	2,145,105
Debt service contribution	-	206,509	206,509
Interest and amortization expense	(1,136,706)	(83,871)	(1,220,577)
Gain (loss) on disposal of capital assets	(8,373)	(1,961,085)	(1,969,458)
	<u>107,852</u>	<u>235,408</u>	<u>343,260</u>
Non-operating expense	<u>107,852</u>	<u>235,408</u>	<u>343,260</u>
Net income (loss)	1,661,936	3,137,461	4,799,397
<b>Capital contributions</b>	<u>32,206</u>	<u>38,953,378</u>	<u>38,985,584</u>
<b>Change in net assets</b>	<u>\$ 1,694,142</u>	<u>\$ 42,090,839</u>	<u>\$ 43,784,981</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues and Expenses**  
**Water and Wastewater Allocation by Member**  
**For the Year Ended August 31, 2004**

	City		
	Water	Wastewater	Total
<b>Operating revenues</b>			
Water sales	\$ 1,898,864	\$ -	\$ 1,898,864
Sewage disposal sales	-	3,057,411	3,057,411
Surcharges and other usage fees:			
Capital improvement surcharge	1,217,080	1,217,081	2,434,161
Construction reserve	44,490	42,926	87,416
Environmental reserve	-	-	-
Capital cost recovery	-	88,160	88,160
Other operating revenue	12,500	420,567	433,067
Sales discounts	895	1,441	2,336
	<u>3,173,829</u>	<u>4,827,586</u>	<u>8,001,415</u>
<b>Operating expenses</b>			
Water distribution	943,227	-	943,227
Wastewater treatment	-	2,236,790	2,236,790
Wastewater pump stations	-	167,913	167,913
Industrial surveillance	-	38,824	38,824
Transmission and distribution	589,041	523,660	1,112,701
Meter service	141,738	142,368	284,106
Customer accounting and collections	84,826	84,828	169,654
General and administration	185,688	221,032	406,720
	<u>1,944,520</u>	<u>3,415,415</u>	<u>5,359,935</u>
Total operating expenses			
	<u>1,944,520</u>	<u>3,415,415</u>	<u>5,359,935</u>
Operating income (expense)	<u>1,229,309</u>	<u>1,412,171</u>	<u>2,641,480</u>
<b>Non-operating income (expense)</b>			
Investment earnings	91,901	194,041	285,942
Connection fees	13,051	13,051	26,102
Debt service contribution	-	169,161	169,161
Interest and amortization expense	(587,014)	(23,794)	(610,808)
Gain (loss) on disposal of capital assets	(1,174)	(549,642)	(550,816)
	<u>(483,236)</u>	<u>(197,183)</u>	<u>(680,419)</u>
Non-operating expense			
	<u>(483,236)</u>	<u>(197,183)</u>	<u>(680,419)</u>
Net income (loss)	746,073	1,214,988	1,961,061
<b>Capital contributions</b>	<u>5,797</u>	<u>8,682,708</u>	<u>8,688,505</u>
<b>Change in net assets</b>	<u>\$ 751,870</u>	<u>\$ 9,897,696</u>	<u>\$ 10,649,566</u>

	<b>Township</b>			
<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	<b>Total</b>	
\$ 7,865,015	\$ -	\$ 7,865,015	\$ 9,763,879	
-	11,217,402	11,217,402	14,274,813	
249,501	249,502	499,003	2,933,164	
139,505	106,618	246,123	333,539	
-	93,326	93,326	93,326	
-	201,757	201,757	289,917	
200,740	1,774,906	1,975,646	2,408,713	
(33,980)	(48,461)	(82,441)	(80,105)	
<u>8,420,781</u>	<u>13,595,050</u>	<u>22,015,831</u>	<u>30,017,246</u>	
4,929,893	-	4,929,893	5,873,120	
-	7,825,218	7,825,218	10,062,008	
-	604,078	604,078	771,991	
-	135,949	135,949	174,773	
1,788,643	2,037,563	3,826,206	4,938,907	
430,469	432,810	863,279	1,147,385	
255,307	255,303	510,610	680,264	
691,698	814,243	1,505,941	1,912,661	
<u>8,096,010</u>	<u>12,105,164</u>	<u>20,201,174</u>	<u>25,561,109</u>	
<u>324,771</u>	<u>1,489,886</u>	<u>1,814,657</u>	<u>4,456,137</u>	
88,477	807,262	895,739	1,181,681	
1,059,502	1,059,501	2,119,003	2,145,105	
-	37,348	37,348	206,509	
(549,692)	(60,077)	(609,769)	(1,220,577)	
(7,199)	(1,411,443)	(1,418,642)	(1,969,458)	
<u>591,088</u>	<u>432,591</u>	<u>1,023,679</u>	<u>343,260</u>	
915,859	1,922,477	2,838,336	4,799,397	
<u>26,409</u>	<u>30,270,670</u>	<u>30,297,079</u>	<u>38,985,584</u>	
<u>\$ 942,268</u>	<u>\$ 32,193,147</u>	<u>\$ 33,135,415</u>	<u>\$ 43,784,981</u>	

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses**  
**City and Township Allocation**  
**For the Year Ended August 31, 2004**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Water distribution</b>			
Wages	\$ 54,412	\$ 280,021	\$ 334,433
Benefits allocation	26,848	138,187	165,035
Purchased water	808,331	4,159,897	4,968,228
Utilities	5,794	154,736	160,530
Maintenance and supplies	13,620	61,921	75,541
Engineering	482	2,481	2,963
Depreciation	4,333	22,299	26,632
Other	3,902	20,081	23,983
Fleet allocation	2,206	8,282	10,488
Maintenance allocation	23,299	81,988	105,287
	<u>943,227</u>	<u>4,929,893</u>	<u>5,873,120</u>
<b>Wastewater treatment</b>			
Wages	361,947	1,261,860	1,623,807
Benefits allocation	178,594	622,713	801,307
Utilities	381,502	1,330,040	1,711,542
Sludge removal	103,051	359,270	462,321
Maintenance	104,088	362,880	466,968
Engineering	960	3,348	4,308
Laboratory	4,254	14,830	19,084
Chemicals	108,089	376,831	484,920
Depreciation	461,200	1,607,890	2,069,090
Other	2,880	10,042	12,922
Fleet allocation	52,971	198,863	251,834
Maintenance allocation	392,286	1,380,409	1,772,695
Laboratory allocation	84,968	296,242	381,210
	<u>2,236,790</u>	<u>7,825,218</u>	<u>10,062,008</u>
<b>Wastewater pump stations</b>			
Wages	44,002	153,406	197,408
Benefits allocation	21,712	75,704	97,416
Utilities	80,421	313,586	394,007
Maintenance and supplies	13,287	46,325	59,612
Engineering	7,842	12,794	20,636
Depreciation	646	2,254	2,900
Other	3	9	12
	<u>167,913</u>	<u>604,078</u>	<u>771,991</u>

Continued...



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2004**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Industrial surveillance</b>			
Wages	\$ 19,607	\$ 68,358	\$ 87,965
Benefits allocation	9,675	33,734	43,409
Depreciation	459	1,598	2,057
Other	6,877	23,977	30,854
Fleet allocation	2,206	8,282	10,488
	<u>38,824</u>	<u>135,949</u>	<u>174,773</u>
<b>Transmission and distribution</b>			
Wages	400,387	1,010,916	1,411,303
Benefits allocation	197,561	498,875	696,436
Utilities	14,962	37,776	52,738
Sewer overflow settlements	21,506	112,918	134,424
Maintenance:			
Shop and office	12,753	32,199	44,952
Water and sewer mains	121,175	297,858	419,033
Engineering	1,961	125	2,086
Depreciation	271,386	1,574,445	1,845,831
Other	2,295	5,793	8,088
Fleet allocation	57,383	215,426	272,809
Maintenance allocation	11,332	39,875	51,207
	<u>1,112,701</u>	<u>3,826,206</u>	<u>4,938,907</u>
<b>Meter service</b>			
Wages	112,555	338,749	451,304
Benefits allocation	55,538	167,169	222,707
Utilities	5,156	15,514	20,670
Maintenance and supplies	2,729	8,210	10,939
Meter parts	18,508	55,703	74,211
Depreciation	78,537	236,365	314,902
Other	53	160	213
Fleet allocation	11,030	41,409	52,439
	<u>284,106</u>	<u>863,279</u>	<u>1,147,385</u>
			Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2004**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Customer accounting and collections</b>			
Wages	\$ 90,457	\$ 272,242	\$ 362,699
Benefits allocation	44,634	134,348	178,982
Utilities	9,734	29,296	39,030
Maintenance and supplies	10,362	31,185	41,547
Postage	9,717	29,244	38,961
Depreciation	4,506	13,560	18,066
Other	244	735	979
	<u>169,654</u>	<u>510,610</u>	<u>680,264</u>
<b>General and administrative</b>			
Wages	71,546	249,430	320,976
Benefits allocation	35,303	123,091	158,394
Maintenance and supplies	17,471	60,914	78,385
Engineering	5,583	126,523	132,106
Building and liability insurance	70,483	245,725	316,208
Legal and settlements	15,119	57,110	72,229
Other professional services	-	-	-
Depreciation	6,286	21,914	28,200
Other	1,296	4,000	5,296
Bad debt expense	360	1,336	1,696
Fleet allocation	5,515	20,705	26,220
Maintenance allocation	8,054	28,343	36,397
Human resource allocation	92,353	297,171	389,524
Accounting allocation	77,351	269,679	347,030
	<u>406,720</u>	<u>1,505,941</u>	<u>1,912,661</u>
<b>Fleet</b>			
Wages	41,470	108,132	149,602
Benefits allocation	20,462	53,362	73,824
Radio maintenance	1,599	4,169	5,768
Maintenance parts and supplies	28,689	74,808	103,497
Gas, oil and grease	20,195	52,660	72,855
Insurance	17,896	46,665	64,561
Depreciation	-	150,565	150,565
Other	1,000	2,606	3,606
Allocated to various departments	(131,311)	(492,967)	(624,278)
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2004**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Human resources</b>			
Wages	\$ 42,504	\$ 136,763	\$ 179,267
Benefits allocation	20,973	67,491	88,464
Safety program	1,246	4,010	5,256
Travel and training	10,380	33,398	43,778
Legal and professional	5,239	16,858	22,097
Physicals	3,374	10,858	14,232
Office supplies	2,804	9,020	11,824
Depreciation	1,944	6,257	8,201
Other	3,889	12,516	16,405
Allocated to general and administrative	(92,353)	(297,171)	(389,524)
	-	-	-
<b>Benefits and payroll taxes</b>			
Health insurance	454,682	1,462,999	1,917,681
Life insurance	3,025	9,732	12,757
Disability insurance	15,262	49,106	64,368
Social security	121,012	389,372	510,384
Workers compensation	6,098	19,621	25,719
Pension contribution	183,864	591,608	775,472
Unemployment	410	1,318	1,728
Uniforms	4,150	13,353	17,503
Allocated to various departments	(788,503)	(2,537,109)	(3,325,612)
	-	-	-
<b>Maintenance</b>			
Wages	285,502	1,004,609	1,290,111
Benefits allocation	140,874	495,763	636,637
Office and supplies	6,046	21,273	27,319
Depreciation	2,434	8,565	10,999
Other	115	405	520
Allocated to various departments	(434,971)	(1,530,615)	(1,965,586)
	-	-	-
			Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Concluded)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2004**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Laboratory</b>			
Wages	\$ 49,063	\$ 171,049	\$ 220,112
Benefits allocation	24,209	84,411	108,620
Maintenance and supplies	4,273	14,900	19,173
Contractual services	3,289	11,468	14,757
Depreciation	4,134	14,414	18,548
Allocated to wastewater treatment	(84,968)	(296,242)	(381,210)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>			
Wages	24,564	85,637	110,201
Benefits allocation	12,120	42,261	54,381
Office supplies	1,694	5,907	7,601
Audit and accounting services	35,141	122,512	157,653
Depreciation	1,450	5,056	6,506
Other	2,382	8,306	10,688
Allocated to general and administrative	(77,351)	(269,679)	(347,030)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 5,359,935</u>	<u>\$ 20,201,174</u>	<u>\$ 25,561,109</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2004**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Water distribution</b>			
Wages	\$ 334,433	\$ -	\$ 334,433
Benefits allocation	165,035	-	165,035
Purchased water	4,968,228	-	4,968,228
Utilities	160,530	-	160,530
Maintenance and supplies	75,541	-	75,541
Engineering	2,963	-	2,963
Depreciation	26,632	-	26,632
Other	23,983	-	23,983
Fleet allocation	10,488	-	10,488
Maintenance allocation	105,287	-	105,287
	<u>5,873,120</u>	<u>-</u>	<u>5,873,120</u>
<b>Wastewater treatment</b>			
Wages	-	1,623,807	1,623,807
Benefits allocation	-	801,307	801,307
Utilities	-	1,711,542	1,711,542
Sludge removal	-	462,321	462,321
Maintenance	-	466,968	466,968
Engineering	-	4,308	4,308
Laboratory	-	19,084	19,084
Chemicals	-	484,920	484,920
Depreciation	-	2,069,090	2,069,090
Other	-	12,922	12,922
Fleet allocation	-	251,834	251,834
Maintenance allocation	-	1,772,695	1,772,695
Laboratory allocation	-	381,210	381,210
	<u>-</u>	<u>10,062,008</u>	<u>10,062,008</u>
<b>Wastewater pump stations</b>			
Wages	-	197,408	197,408
Benefits allocation	-	97,416	97,416
Utilities	-	394,007	394,007
Maintenance and supplies	-	59,612	59,612
Engineering	-	20,636	20,636
Depreciation	-	2,900	2,900
Other	-	12	12
	<u>-</u>	<u>771,991</u>	<u>771,991</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2004**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Industrial surveillance</b>			
Wages	\$ -	\$ 87,965	\$ 87,965
Benefits allocation	-	43,409	43,409
Depreciation	-	2,057	2,057
Other	-	30,854	30,854
Fleet allocation	-	10,488	10,488
	<u>-</u>	<u>174,773</u>	<u>174,773</u>
<b>Transmission and distribution</b>			
Wages	595,147	816,156	1,411,303
Benefits allocation	293,687	402,749	696,436
Utilities	22,239	30,499	52,738
Sewer overflow settlements	58,442	75,982	134,424
Maintenance:			
Shop and office	18,957	25,995	44,952
Water and sewer mains	176,469	242,564	419,033
Engineering	-	2,086	2,086
Depreciation	1,084,038	761,793	1,845,831
Other	3,411	4,677	8,088
Fleet allocation	121,510	151,299	272,809
Maintenance allocation	3,784	47,423	51,207
	<u>2,377,684</u>	<u>2,561,223</u>	<u>4,938,907</u>
<b>Meter service</b>			
Wages	225,652	225,652	451,304
Benefits allocation	111,354	111,353	222,707
Utilities	10,335	10,335	20,670
Maintenance and supplies	5,470	5,469	10,939
Meter parts	37,106	37,105	74,211
Depreciation	157,451	157,451	314,902
Other	107	106	213
Fleet allocation	24,732	27,707	52,439
	<u>572,207</u>	<u>575,178</u>	<u>1,147,385</u>
			Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2004**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Customer accounting and collections</b>			
Wages	\$ 181,349	\$ 181,350	\$ 362,699
Benefits allocation	89,491	89,491	178,982
Utilities	19,515	19,515	39,030
Maintenance and supplies	20,774	20,773	41,547
Postage	19,481	19,480	38,961
Depreciation	9,033	9,033	18,066
Other	489	490	979
	<u>340,132</u>	<u>340,132</u>	<u>680,264</u>
<b>General and administrative</b>			
Wages	160,488	160,488	320,976
Benefits allocation	79,197	79,197	158,394
Maintenance and supplies	39,192	39,193	78,385
Engineering	66,052	66,054	132,106
Building and liability insurance	158,104	158,104	316,208
Legal and settlements	36,115	36,114	72,229
Other professional services	-	-	-
Depreciation	14,100	14,100	28,200
Other	2,648	2,648	5,296
Bad debt expense	848	848	1,696
Fleet allocation	8,142	18,078	26,220
Maintenance allocation	36,186	211	36,397
Human resource allocation	102,797	286,727	389,524
Accounting allocation	173,514	173,516	347,030
	<u>877,383</u>	<u>1,035,278</u>	<u>1,912,661</u>
<b>Fleet</b>			
Wages	39,510	110,092	149,602
Benefits allocation	19,497	54,327	73,824
Radio maintenance	1,523	4,245	5,768
Maintenance parts and supplies	27,334	76,163	103,497
Gas, oil and grease	19,241	53,614	72,855
Insurance	17,051	47,510	64,561
Depreciation	39,764	110,801	150,565
Other	952	2,654	3,606
Allocated to various departments	<u>(164,872)</u>	<u>(459,406)</u>	<u>(624,278)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2004**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Human resources</b>			
Wages	\$ 47,309	\$ 131,958	\$ 179,267
Benefits allocation	23,346	65,118	88,464
Safety program	1,387	3,869	5,256
Travel and training	11,553	32,225	43,778
Legal and professional	5,832	16,265	22,097
Physicals	3,756	10,476	14,232
Office supplies	3,121	8,703	11,824
Depreciation	2,164	6,037	8,201
Other	4,329	12,076	16,405
Allocated to general and administrative	(102,797)	(286,727)	(389,524)
	-	-	-
<b>Benefits and payroll taxes</b>			
Health insurance	506,076	1,411,605	1,917,681
Life insurance	3,367	9,390	12,757
Disability insurance	16,987	47,381	64,368
Social security	134,690	375,694	510,384
Workers compensation	6,787	18,932	25,719
Pension contribution	204,647	570,825	775,472
Unemployment	456	1,272	1,728
Uniforms	4,619	12,884	17,503
Allocated to various departments	(877,629)	(2,447,983)	(3,325,612)
	-	-	-
<b>Maintenance</b>			
Wages	95,339	1,194,772	1,290,111
Benefits allocation	47,047	589,590	636,637
Office and supplies	2,020	25,299	27,319
Depreciation	813	10,186	10,999
Other	38	482	520
Allocated to various departments	(145,257)	(1,820,329)	(1,965,586)
	-	-	-
			Continued...



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Concluded)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2004**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Laboratory</b>			
Wages	\$ -	\$ 220,112	\$ 220,112
Benefits allocation	-	108,620	108,620
Maintenance and supplies	-	19,173	19,173
Contractual services	-	14,757	14,757
Depreciation	-	18,548	18,548
Allocated to wastewater treatment	-	(381,210)	(381,210)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>			
Wages	55,100	55,101	110,201
Benefits allocation	27,190	27,191	54,381
Office supplies	3,800	3,801	7,601
Audit and accounting services	78,827	78,826	157,653
Depreciation	3,253	3,253	6,506
Other	5,344	5,344	10,688
Allocated to general and administrative	(173,514)	(173,516)	(347,030)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 10,040,526</u>	<u>\$ 15,520,583</u>	<u>\$ 25,561,109</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses -**  
**Budget and Actual**  
**For the Year Ended August 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Water distribution</b>				
Wages	\$ 393,673	\$ 393,673	\$ 334,433	\$ (59,240)
Benefits allocation	193,619	193,619	165,035	(28,584)
Purchased water	5,278,715	5,278,715	4,968,228	(310,487)
Utilities	155,711	155,711	160,530	4,819
Maintenance and supplies	33,683	33,683	75,541	41,858
Engineering	31,613	31,613	2,963	(28,650)
Depreciation	8,240	8,240	26,632	18,392
Other	31,543	31,543	23,983	(7,560)
Fleet allocation	10,136	10,136	10,488	352
Maintenance allocation	102,690	102,690	105,287	2,597
	<u>6,239,623</u>	<u>6,239,623</u>	<u>5,873,120</u>	<u>(366,503)</u>
<b>Wastewater treatment</b>				
Wages	1,761,260	1,761,260	1,623,807	(137,453)
Benefits allocation	866,237	866,237	801,307	(64,930)
Utilities	1,633,991	1,633,991	1,711,542	77,551
Sludge removal	897,000	897,000	462,321	(434,679)
Maintenance	632,840	632,840	466,968	(165,872)
Engineering	252,287	252,287	4,308	(247,979)
Laboratory	11,933	11,933	19,084	7,151
Chemicals	500,000	500,000	484,920	(15,080)
Depreciation	2,173,300	2,173,300	2,069,090	(104,210)
Other	24,834	24,834	12,922	(11,912)
Fleet allocation	243,384	243,384	251,834	8,450
Maintenance allocation	1,728,982	1,728,982	1,772,695	43,713
Laboratory allocation	375,366	375,366	381,210	5,844
	<u>11,101,414</u>	<u>11,101,414</u>	<u>10,062,008</u>	<u>(1,039,406)</u>
<b>Wastewater pump stations</b>				
Wages	270,243	270,243	197,408	(72,835)
Benefits allocation	132,913	132,913	97,416	(35,497)
Utilities	410,479	410,479	394,007	(16,472)
Maintenance and supplies	144,449	144,449	59,612	(84,837)
Engineering	30,000	30,000	20,636	(9,364)
Depreciation	2,266	2,266	2,900	634
Other	383	383	12	(371)
	<u>990,733</u>	<u>990,733</u>	<u>771,991</u>	<u>(218,742)</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Industrial surveillance</b>				
Wages	\$ 113,698	\$ 113,698	\$ 87,965	\$ (25,733)
Benefits allocation	55,920	55,920	43,409	(12,511)
Depreciation	206	206	2,057	1,851
Other	32,430	32,430	30,854	(1,576)
Fleet allocation	10,136	10,136	10,488	352
	<u>212,390</u>	<u>212,390</u>	<u>174,773</u>	<u>(37,617)</u>
<b>Transmission and distribution</b>				
Wages	1,478,389	1,478,389	1,411,303	(67,086)
Benefits allocation	727,113	727,113	696,436	(30,677)
Utilities	85,396	85,396	52,738	(32,658)
Sewer overflow settlements	200,000	200,000	134,424	(65,576)
Maintenance:				
Shop and office	18,789	18,789	44,952	26,163
Water and sewer mains	285,544	285,544	419,033	133,489
Engineering	-	-	2,086	2,086
Depreciation	1,566,630	1,566,630	1,845,831	279,201
Other	3,502	3,502	8,088	4,586
Fleet allocation	263,656	263,656	272,809	9,153
Maintenance allocation	49,945	49,945	51,207	1,262
	<u>4,678,964</u>	<u>4,678,964</u>	<u>4,938,907</u>	<u>259,943</u>
<b>Meter service</b>				
Wages	466,440	466,440	451,304	(15,136)
Benefits allocation	229,408	229,408	222,707	(6,701)
Utilities	12,152	12,152	20,670	8,518
Maintenance and supplies	9,560	9,560	10,939	1,379
Meter parts	207,500	207,500	74,211	(133,289)
Depreciation	9,270	9,270	314,902	305,632
Other	4,950	4,950	213	(4,737)
Fleet allocation	50,680	50,680	52,439	1,759
	<u>989,960</u>	<u>989,960</u>	<u>1,147,385</u>	<u>157,425</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Customer accounting/collections</b>				
Wages	\$ 379,906	\$ 379,906	\$ 362,699	\$ (17,207)
Benefits allocation	186,848	186,848	178,982	(7,866)
Utilities	18,510	18,510	39,030	20,520
Maintenance and supplies	19,211	19,211	41,547	22,336
Postage	49,044	49,044	38,961	(10,083)
Depreciation	12,360	12,360	18,066	5,706
Other	953	953	979	26
	<u>666,832</u>	<u>666,832</u>	<u>680,264</u>	<u>13,432</u>
<b>General and administrative</b>				
Wages	268,925	268,925	320,976	52,051
Benefits allocation	132,265	132,265	158,394	26,129
Maintenance and supplies	73,836	73,836	78,385	4,549
Building and liability insurance	294,867	294,867	316,208	21,341
Legal and settlements	110,967	110,967	72,229	(38,738)
Other professional services	2,400	2,400	-	(2,400)
Engineering	5,000	5,000	132,106	127,106
Depreciation	25,750	25,750	28,200	2,450
Other	5,776	5,776	5,296	(480)
Bad debt expense	8,346	8,346	1,696	(6,650)
Fleet allocation	25,340	25,340	26,220	880
Maintenance allocation	35,499	35,499	36,397	898
Human resource allocation	412,052	412,052	389,524	(22,528)
Accounting allocation	409,681	409,681	347,030	(62,651)
	<u>1,810,704</u>	<u>1,810,704</u>	<u>1,912,661</u>	<u>101,957</u>
<b>Fleet</b>				
Wages	150,564	150,564	149,602	(962)
Benefits allocation	74,052	74,052	73,824	(228)
Radio maintenance	3,977	3,977	5,768	1,791
Maintenance parts and supplies	119,234	119,234	103,497	(15,737)
Gas, oil and grease	52,931	52,931	72,855	19,924
Insurance	28,735	28,735	64,561	35,826
Depreciation	169,950	169,950	150,565	(19,385)
Other	3,889	3,889	3,606	(283)
Allocated to various departments	<u>(603,332)</u>	<u>(603,332)</u>	<u>(624,278)</u>	<u>(20,946)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Human resources</b>				
Wages	\$ 197,666	\$ 197,666	\$ 179,267	\$ (18,399)
Benefits allocation	97,218	97,218	88,464	(8,754)
Safety program	5,000	5,000	5,256	256
Travel and training	57,500	57,500	43,778	(13,722)
Legal and professional	18,000	18,000	22,097	4,097
Physicals	15,000	15,000	14,232	(768)
Office supplies	1,900	1,900	11,824	9,924
Depreciation	618	618	8,201	7,583
Other	19,150	19,150	16,405	(2,745)
Allocated to general and administrative	(412,052)	(412,052)	(389,524)	22,528
	-	-	-	-
<b>Benefits and payroll taxes</b>				
Health insurance	1,672,098	1,672,098	1,917,681	245,583
Life insurance	15,062	15,062	12,757	(2,305)
Disability insurance	69,750	69,750	64,368	(5,382)
Social security	579,409	579,409	510,384	(69,025)
Workers compensation	111,972	111,972	25,719	(86,253)
Pension contribution	932,400	932,400	775,472	(156,928)
Unemployment	65,884	65,884	1,728	(64,156)
Uniforms	29,000	29,000	17,503	(11,497)
Allocated to various departments	(3,475,575)	(3,475,575)	(3,325,612)	149,963
	-	-	-	-
<b>Maintenance</b>				
Wages	1,247,025	1,247,025	1,290,111	43,086
Benefits allocation	613,322	613,322	636,637	23,315
Office and supplies	42,902	42,902	27,319	(15,583)
Depreciation	9,167	9,167	10,999	1,832
Other	4,700	4,700	520	(4,180)
Allocated to various departments	(1,917,116)	(1,917,116)	(1,965,586)	(48,470)
	-	-	-	-

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Concluded)**  
**Budget and Actual**  
**For the Year Ended August 31, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Laboratory</b>				
Wages	\$ 213,789	\$ 213,789	\$ 220,112	\$ 6,323
Benefits allocation	105,147	105,147	108,620	3,473
Maintenance and supplies	25,800	25,800	19,173	(6,627)
Contractual services	19,300	19,300	14,757	(4,543)
Depreciation	11,330	11,330	18,548	7,218
Allocated to wastewater treatment	(375,366)	(375,366)	(381,210)	(5,844)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>				
Wages	125,069	125,069	110,201	(14,868)
Benefits allocation	61,513	61,513	54,381	(7,132)
Office supplies	8,222	8,222	7,601	(621)
Audit and accounting services	189,560	189,560	157,653	(31,907)
Depreciation	2,163	2,163	6,506	4,343
Other	23,154	23,154	10,688	(12,466)
Allocated to general and administrative	(409,681)	(409,681)	(347,030)	62,651
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 26,690,620</u>	<u>\$ 26,690,620</u>	<u>\$ 25,561,109</u>	<u>\$ (1,129,511)</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Supplementary Financial Information

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### 1. Revised and Reissued Supplementary Financial Information

Certain expense allocation errors in the originally issued supplementary financial information for the year ended August 31, 2004 were noted after their issuance. Accordingly, these errors, which were limited to immaterial misclassifications of expenses between certain operating expense captions and divisions on the accompanying schedules and detailed schedules, but which did not impact total operating expenses reported, have been corrected with the issuance of this revised supplementary financial information.

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# STATISTICAL SECTION



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Revenues and Expenses - Unaudited**  
**Last Ten Fiscal Years Ended August 31**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Operating revenue</b>				
Water sales	\$ 9,763,879	\$ 8,616,377	\$ 8,039,879	\$ 7,910,860
Sewage disposal sales	14,274,813	13,235,087	12,908,599	13,793,007
Surcharges and other usage fees	3,649,946	2,503,637	1,891,240	1,728,426
Other operating revenue	2,408,713	2,248,813	2,380,576	2,293,530
Sales discounts	(80,105)	(705,985)	(866,723)	(1,098,363)
Total operating revenue	<u>30,017,246</u>	<u>25,897,929</u>	<u>24,353,571</u>	<u>24,627,460</u>
<b>Operating expenses</b>				
Water distribution	5,854,122	5,282,942	4,894,966	4,288,716
Wastewater treatment	10,136,178	10,882,313	9,085,357	8,989,004
Wastewater pump stations	771,991	805,890	928,166	822,901
Industrial surveillance	174,773	146,967	118,270	87,466
Transmission and distribution	4,902,638	5,049,571	3,665,838	3,616,432
Meter service	1,147,385	1,121,564	845,806	979,284
Customer accounting and collections	680,264	651,361	523,708	453,677
General and administration	(1) 1,893,758	1,832,080	4,269,158	4,038,730
Depreciation	(2) -	-	-	-
Total operating expenses	<u>25,561,109</u>	<u>25,772,688</u>	<u>24,331,269</u>	<u>23,276,210</u>
Operating income (loss)	<u>4,456,137</u>	<u>125,241</u>	<u>22,302</u>	<u>1,351,250</u>
<b>Non-operating income (expense)</b>				
Investment earnings	1,181,681	21,493	1,034,719	1,231,283
Connection fees	(3) 2,145,105	1,066,491	-	-
Debt service contributions	206,509	211,511	920,478	220,957
Interest and amortization expense	(1,220,577)	(1,023,113)	(1,709,110)	(1,054,325)
Gain (loss) on disposal of capital assets	(1,969,458)	(2,833)	(66,461)	(465,007)
Debt service transfer to County	(4) -	-	(1,214,715)	(1,218,710)
Total non-operating income (expense)	<u>343,260</u>	<u>273,549</u>	<u>(1,035,089)</u>	<u>(1,285,802)</u>
<b>Net income (loss)</b>	<u>\$ 4,799,397</u>	<u>\$ 398,790</u>	<u>\$ (1,012,787)</u>	<u>\$ 65,448</u>

(1) Beginning in fiscal 2003, payroll taxes and employee benefits are allocated to departments.

(2) Beginning in fiscal 2001, depreciation expense is allocated to departments.

(3) Prior to fiscal 2003, connection fees were recorded directly to equity (i.e., contributed capital).

(4) Beginning in fiscal 2003, this debt was properly recognized as lease payable; the portion that is interest is reported as interest expense.

**Table 1**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
\$	7,456,993	\$ 7,024,206	\$ 6,787,909	\$ 6,600,444	\$ 7,012,219	\$ 6,278,728
	13,392,790	12,107,280	12,133,249	11,717,239	11,332,137	9,617,306
	1,748,046	1,730,655	1,632,408	1,687,246	1,687,527	1,340,263
	977,080	1,041,594	1,164,952	934,444	1,215,530	1,290,594
	(1,006,785)	(1,020,273)	(978,899)	(1,014,850)	(1,028,750)	(952,564)
	22,568,124	20,883,462	20,739,619	19,924,523	20,218,663	17,574,327
	3,988,979	3,923,990	3,578,449	3,670,779	4,254,275	3,433,957
	6,934,835	6,015,882	6,307,108	5,987,307	5,205,660	8,272,945
	836,632	799,666	862,732	801,517	866,759	-
	75,711	74,010	69,642	70,975	111,780	-
	2,064,652	2,232,299	1,750,828	1,406,236	1,477,941	769,609
	907,026	815,483	840,605	627,080	431,748	-
	445,768	368,651	366,087	287,197	236,089	317,079
	3,469,454	3,044,439	2,935,376	2,517,277	2,817,394	1,015,983
	3,861,969	3,652,293	3,442,560	3,275,956	3,190,432	3,097,077
	22,585,026	20,926,713	20,153,387	18,644,324	18,592,078	16,906,650
	(16,902)	(43,251)	586,232	1,280,199	1,626,585	667,677
	718,175	600,279	725,675	714,319	749,061	560,946
	-	-	-	-	-	-
	269,970	253,615	689,353	254,792	313,190	247,297
	(766,721)	(622,178)	(678,995)	(725,266)	(744,837)	(719,053)
	(32,884)	18,041	11,801	(86,206)	(11,102)	(195,927)
	(1,226,413)	(1,214,461)	(1,203,847)	(1,191,971)	(1,205,200)	(1,162,053)
	(1,037,873)	(964,704)	(456,013)	(1,034,332)	(898,888)	(1,268,790)
\$	(1,054,775)	\$ (1,007,955)	\$ 130,219	\$ 245,867	\$ 727,697	\$ (601,113)

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Revenues and Expenses - City Division - Unaudited**  
**Last Ten Fiscal Years Ended August 31**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Operating revenue</b>				
Water sales	\$ 1,898,864	\$ 1,875,979	\$ 1,844,292	\$ 1,796,994
Sewage disposal sales	3,057,411	3,155,582	3,155,163	3,294,403
Surcharges and other usage fees	2,609,737	1,777,612	1,362,058	1,035,565
Other operating revenue	433,067	380,495	463,168	479,546
Sales discounts	2,336	(126,303)	(153,336)	(155,773)
Total operating revenue	<u>8,001,415</u>	<u>7,063,365</u>	<u>6,671,345</u>	<u>6,450,735</u>
<b>Operating expenses</b>				
Water distribution	939,023	926,213	898,123	834,882
Wastewater treatment	2,253,203	2,510,603	2,258,154	2,397,946
Wastewater pump stations	167,913	160,684	215,444	221,327
Industrial surveillance	38,824	33,173	28,844	22,627
Transmission and distribution	1,104,675	1,416,512	843,346	899,403
Meter service	284,106	284,344	218,046	259,904
Customer accounting and collections	169,654	167,210	138,154	122,494
General and administration	(1) 402,537	440,901	1,111,971	1,129,497
Depreciation	(2) -	-	-	-
Total operating expenses	<u>5,359,935</u>	<u>5,939,640</u>	<u>5,712,082</u>	<u>5,888,080</u>
Operating income (loss)	<u>2,641,480</u>	<u>1,123,725</u>	<u>959,263</u>	<u>562,655</u>
<b>Non-operating income (expense)</b>				
Investment earnings	285,942	(12,884)	92,213	256,390
Connection fees	(3) 26,102	11,406	-	-
Debt service contributions	169,161	211,511	236,052	220,957
Interest and amortization expense	(610,808)	(496,504)	(722,772)	(394,423)
Gain (loss) on disposal of capital assets	(550,816)	(1,416)	(16,660)	(125,087)
Debt service transfer to County	(4) -	-	(331,253)	(312,721)
Total non-operating income (expense)	<u>(680,419)</u>	<u>(287,887)</u>	<u>(742,420)</u>	<u>(354,884)</u>
<b>Net income (loss)</b>	<u>\$ 1,961,061</u>	<u>\$ 835,838</u>	<u>\$ 216,843</u>	<u>\$ 207,771</u>

(1) Beginning in fiscal 2003, payroll taxes and employee benefits are allocated to departments.

(2) Beginning in fiscal 2001, depreciation expense is allocated to departments.

(3) Prior to fiscal 2003, connection fees were recorded directly to equity (i.e., contributed capital).

(4) Beginning in fiscal 2003, this debt was properly recognized as lease payable; the portion that is interest is reported as interest expense.

**Table 2**

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
\$	1,759,201	\$ 1,694,459	\$ 1,664,645	\$ 1,715,725	\$ 1,788,531	\$ 1,820,048
	3,368,627	3,030,469	3,087,082	3,032,461	2,878,231	2,501,041
	916,656	890,329	889,841	895,035	909,140	657,373
	203,254	206,987	275,640	220,716	229,546	253,585
	(134,272)	(145,607)	(151,520)	(157,251)	(155,588)	(153,073)
	<u>6,113,466</u>	<u>5,676,637</u>	<u>5,765,688</u>	<u>5,706,686</u>	<u>5,649,860</u>	<u>5,078,974</u>
	794,632	793,275	690,779	870,885	1,231,842	883,768
	1,851,516	1,535,176	1,668,487	1,674,038	1,387,883	2,264,712
	224,686	203,659	228,227	224,103	229,221	-
	20,333	18,849	18,423	19,844	29,911	-
	652,277	786,806	611,780	480,976	469,663	203,888
	252,586	235,709	276,881	184,707	132,849	-
	124,458	106,613	108,801	84,348	68,338	101,892
	983,280	819,641	819,187	726,404	841,875	376,959
	863,522	1,022,202	981,386	964,202	959,710	915,428
	<u>5,767,290</u>	<u>5,521,930</u>	<u>5,403,951</u>	<u>5,229,507</u>	<u>5,351,292</u>	<u>4,746,647</u>
	346,176	154,707	361,737	477,179	298,568	332,327
	235,048	214,676	267,652	334,630	389,463	207,272
	-	-	-	-	-	-
	239,104	224,104	223,987	227,727	239,053	247,297
	(413,162)	(398,460)	(433,950)	(447,333)	(437,948)	(194,378)
	(7,951)	(3,777)	(1,383)	(749)	(1,612)	(43,543)
	(334,933)	(330,091)	(319,742)	(315,317)	(332,437)	(331,491)
	<u>(281,894)</u>	<u>(293,548)</u>	<u>(263,436)</u>	<u>(201,042)</u>	<u>(143,481)</u>	<u>(114,843)</u>
\$	<u>64,282</u>	\$ <u>(138,841)</u>	\$ <u>98,301</u>	\$ <u>276,137</u>	\$ <u>155,087</u>	\$ <u>217,484</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Revenues and Expenses - Township Division - Unaudited**  
**Last Ten Fiscal Years Ended August 31**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<b>Operating revenue</b>				
Water sales	\$ 7,865,015	\$ 6,740,398	\$ 6,195,587	\$ 6,113,866
Sewage disposal sales	11,217,402	10,079,505	9,753,436	10,498,604
Surcharges and other usage fees	1,040,209	726,025	529,182	692,861
Other operating revenue	1,975,646	1,868,318	1,917,408	1,813,984
Sales discounts	(82,441)	(579,682)	(713,387)	(942,590)
Total operating revenue	<u>22,015,831</u>	<u>18,834,564</u>	<u>17,682,226</u>	<u>18,176,725</u>
<b>Operating expenses</b>				
Water distribution	4,915,099	4,356,729	3,996,843	3,453,834
Wastewater treatment	7,882,975	8,371,710	6,827,203	6,591,058
Wastewater pump stations	604,078	645,206	712,722	601,574
Industrial surveillance	135,949	113,794	89,426	64,839
Transmission and distribution	3,797,963	3,633,059	2,822,492	2,717,029
Meter service	863,279	837,220	627,760	719,380
Customer accounting and collections	510,610	484,151	385,554	331,183
General and administration (1)	1,491,221	1,391,179	3,157,187	2,909,233
Depreciation (2)	-	-	-	-
Total operating expenses	<u>20,201,174</u>	<u>19,833,048</u>	<u>18,619,187</u>	<u>17,388,130</u>
Operating income (loss)	<u>1,814,657</u>	<u>(998,484)</u>	<u>(936,961)</u>	<u>788,595</u>
<b>Non-operating income (expense)</b>				
Investment earnings	895,739	34,377	942,506	974,893
Connection fees (3)	2,119,003	1,055,085	-	-
Debt service contributions	37,348	-	684,426	-
Interest and amortization expense	(609,769)	(526,609)	(986,338)	(659,902)
Gain (loss) on disposal of capital assets	(1,418,642)	(1,417)	(49,801)	(339,920)
Debt service transfer to County (4)	-	-	(883,462)	(905,989)
Total non-operating income (expense)	<u>1,023,679</u>	<u>561,436</u>	<u>(292,669)</u>	<u>(930,918)</u>
<b>Net income (loss)</b>	<u>\$ 2,838,336</u>	<u>\$ (437,048)</u>	<u>\$ (1,229,630)</u>	<u>\$ (142,323)</u>

(1) Beginning in fiscal 2003, payroll taxes and employee benefits are allocated to departments.

(2) Beginning in fiscal 2001, depreciation expense is allocated to departments.

(3) Prior to fiscal 2003, connection fees were recorded directly to equity (i.e., contributed capital).

(4) Beginning in fiscal 2003, this debt was properly recognized as lease payable; the portion that is interest is reported as interest expense.

**Table 3**

<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>	<b>1995</b>
\$ 5,697,792	\$ 5,329,747	\$ 5,123,264	\$ 4,884,719	\$ 5,223,688	\$ 4,458,680
10,024,163	9,076,811	9,046,167	8,684,778	8,453,906	7,116,265
831,390	840,326	742,567	792,211	778,387	682,890
773,826	834,607	889,312	713,728	985,984	1,037,009
(872,513)	(874,666)	(827,379)	(857,599)	(873,162)	(799,491)
16,454,658	15,206,825	14,973,931	14,217,837	14,568,803	12,495,353
3,194,347	3,130,715	2,887,670	2,799,894	3,022,433	2,550,189
5,083,319	4,480,706	4,638,621	4,313,269	3,817,777	6,008,233
611,946	596,007	634,505	577,414	637,538	-
55,378	55,161	51,219	51,131	81,869	-
1,412,375	1,445,493	1,139,048	925,260	1,008,278	565,721
654,440	579,774	563,724	442,373	298,899	-
321,310	262,038	257,286	202,849	167,751	215,187
2,486,174	2,224,798	2,116,189	1,790,873	1,975,519	639,024
2,998,447	2,630,091	2,461,174	2,311,754	2,230,722	2,181,649
16,817,736	15,404,783	14,749,436	13,414,817	13,240,786	12,160,003
(363,078)	(197,958)	224,495	803,020	1,328,017	335,350
483,127	385,603	458,023	379,689	359,598	353,674
-	-	-	-	-	-
30,866	29,511	465,366	27,065	74,137	-
(353,559)	(223,718)	(245,045)	(277,933)	(306,889)	(524,675)
(24,933)	21,818	13,184	(85,457)	(9,490)	(152,384)
(891,480)	(884,370)	(884,105)	(876,654)	(872,763)	(830,562)
(755,979)	(671,156)	(192,577)	(833,290)	(755,407)	(1,153,947)
\$ (1,119,057)	\$ (869,114)	\$ 31,918	\$ (30,270)	\$ 572,610	\$ (818,597)

**Table 4**

**YPSILANTI COMMUNITY UTILITIES AUTHORITY  
Water and Wastewater Debt Coverage - Unaudited  
Last Ten Fiscal Years Ended August 31**

<u>Fiscal Year</u>	<u>(1) Gross Revenue</u>	<u>(2) Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>(3) Total Debt Service Requirement</u>	<u>Coverage</u>
2004	\$33,550,541	\$21,058,612	\$ 12,491,929	\$ 5,139,722	2.43
2003	25,919,422	21,476,377	4,443,045	4,689,848	0.95
2002	26,308,768	20,241,129	6,067,639	4,335,292	1.40
2001	26,079,700	19,245,962	6,833,738	4,187,246	1.63
2000	23,556,269	18,723,057	4,833,212	3,217,769	1.50
1999	21,737,356	17,274,420	4,462,936	2,803,390	1.59
1998	22,154,647	16,710,827	5,443,820	2,922,489	1.86
1997	20,893,634	15,368,368	5,525,266	2,825,484	1.96
1996	21,280,914	15,401,646	5,879,268	2,717,517	2.16
1995	18,382,570	13,809,573	4,572,997	2,091,106	2.19

(1) Includes operating revenue, investment earnings, connection fees and debt service contributions.

(2) Excludes depreciation expense.

(3) Includes revenue bonds and capital leases only.