

# **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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## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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**Year Ended August 31, 2006**



**REHMANN ROBSON**

*Certified Public Accountants*

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended August 31, 2006**

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# INTRODUCTORY SECTION



October 31, 2006

**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, 2006.

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, 2006 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, 2006 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, York 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 of 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 current 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 increased the YCUA wastewater facility treatment capacity by 17 MGD to 45.9 MGD, began in 2002 and continued through 2006. The expanded capacity is for the WTUA. WTUA is presently negotiating with Wayne County and it is anticipated that all the sewage from Northville and Plymouth Townships, and a majority of the sewage of Canton Township will be diverted to YCUA upon completion of the negotiations. The new construction updates equipment, adds additional odor controls, safer disinfection equipment and a more efficient incinerator for burning sewage sludge, which replaced a multiple hearth unit. Engineers estimate air pollution will be reduced by more than 80%. Eight MGD capacity has been leased to WTUA, which helped pay for many of these improvements.

Construction is essentially complete on the plant expansion/improvements project and the contract approximately 99% completed. The remainder of the \$111 million project will be completed by 2007 and will include restorations and final punch list items. WTUA's share of the project cost is currently estimated to be 71.4%; the Authority will be responsible for the remaining portion. Of the 45.6 MGD of total capacity, WTUA now has rights to use up to 54% of the total plant capacity.

**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 imposed, or interpreted to be imposed, by the member governments and 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 70% funded as of December 31, 2005 (the date of the latest actuarial valuation). The remaining unfunded amount is being systematically funded over 30 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 August 31, 2006, there were 52 retired employees receiving these benefits, which have been 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.

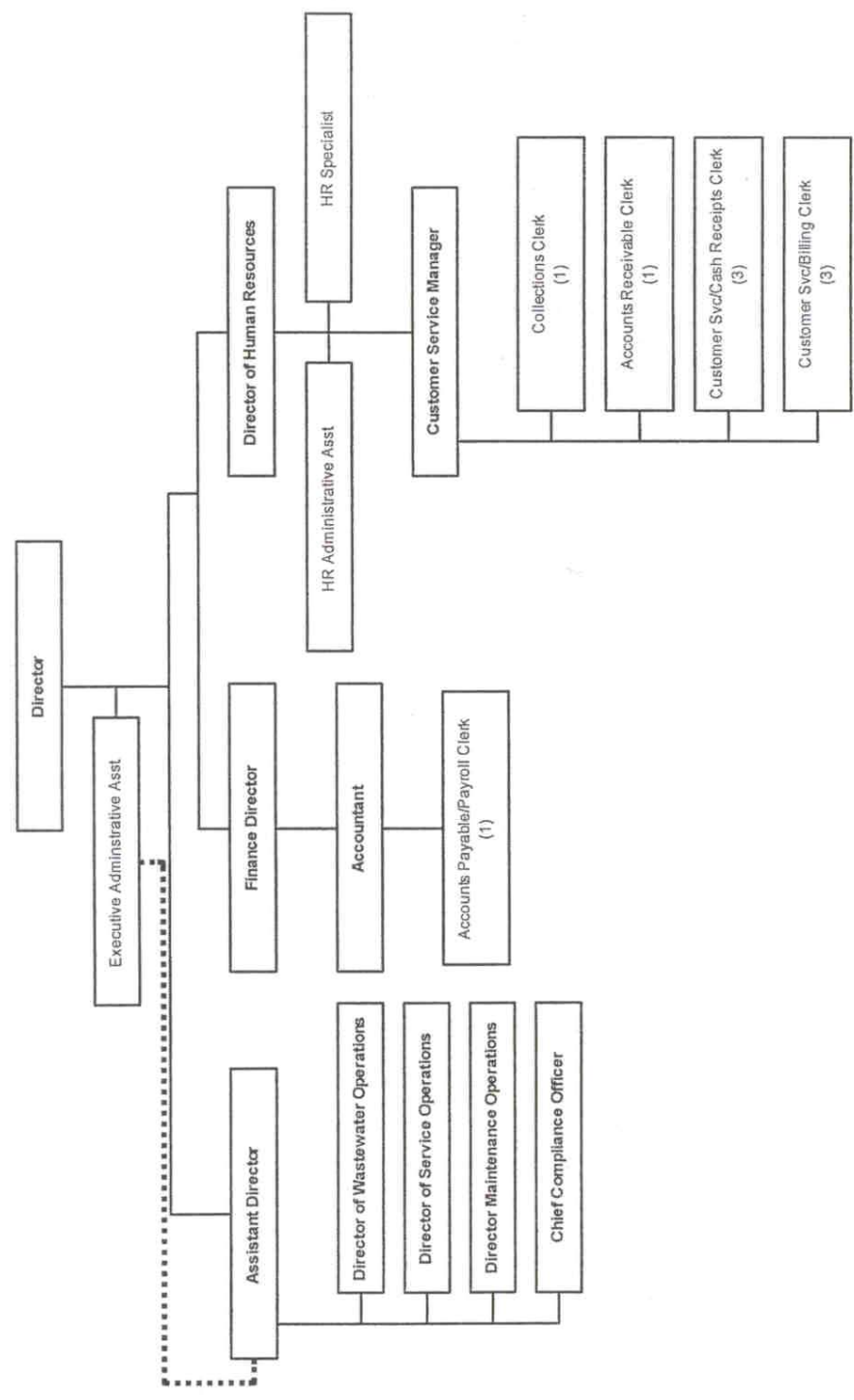
In September 2005, YCUA entered into an agreement with MERS to create a retiree healthcare trust fund. Further information regarding this and the Authority's retirement plan and postemployment benefits can be found in Notes 4-C and 4-D in the notes to the financial statements.

## **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 Accounting Personnel Organizational Chart



August 31, 2006

# FINANCIAL SECTION





**REHMANN ROBSON**

*Certified Public Accountants*

A member of THE REHMANN GROUP

 an independent member of  
**BAKER TILLY**  
INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT**

October 31, 2006

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, 2006 and 2005, 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2006 and 2005, 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 2-8 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.

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 2006 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.

## 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, 2006. 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-iii of this report.

### **Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal by \$203,942,248 (*net assets*). Of this amount, \$11,369,233 (*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 \$8,820,489.
- The Authority's total long-term debt (i.e., bonds and capital leases) decreased by \$2,881,929 during the current fiscal year; no new debt was incurred during the year, although draws of \$584,423 were made against previously authorized debt, primarily drinking water revolving fund loans through the State of Michigan.

### **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 \$203,942,248 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (88.2 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 (6.2 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

	2006	2005
Current and other assets	\$ 20,484,847	\$ 22,250,604
Restricted assets	12,764,003	14,885,048
Capital assets	248,404,832	238,299,852
<b>Total assets</b>	<b>281,653,682</b>	<b>275,435,504</b>
Long-term liabilities outstanding	70,976,848	73,777,626
Other liabilities	6,734,586	6,536,119
<b>Total liabilities</b>	<b>77,711,434</b>	<b>80,313,745</b>
Net assets:		
Invested in capital assets, net of related debt	179,809,012	166,894,808
Restricted	12,764,003	14,885,048
Unrestricted	11,369,233	13,341,903
<b>Total net assets</b>	<b>\$203,942,248</b>	<b>\$195,121,759</b>

The Authority's net assets increased by \$8,820,489 during the current fiscal year. Key elements of this increase include:

- Capital contributions of over \$8.4 million were made to the Authority.
- Water sales decreased by \$106,937 (or 0.9 percent) due to a 3.1 percent decrease in consumption and partially offset by a rate increase, although direct costs for water distribution increased by \$56,501 (or 1.0 percent) due to an increase in Detroit water rates.
- Sewage disposal sales decreased by \$80,405 (or 0.6 percent) primarily due to the annual adjustment between contract community rates and payments, while usage demonstrated slight growth of 2.3 percent; direct costs for wastewater treatment increased \$1,022,067 (or 18.8 percent) due to the incremental chemical and utility costs associated with increased plant capacity. Total wastewater generated by the City and Township decreased by 0.6 percent, whereas wastewater treated for WTUA increased 5.6 percent.
- Total operating expenses increased by \$3,806,366 (or 13.4 percent) primarily reflecting the \$2.8 million increase in expense associated with the wastewater treatment plant expansion.

- The city division increased sewer rates 3.0 percent and water rates 5.0 percent; the surcharge remained unchanged at 80.0 percent. These rates all became effective October 1, 2006.
- The township division sewer rates increased 3.0 percent and water rates 9.0 percent. The water rate increase became effective September 1, 2006. The sewer rate increase became effective October 1, 2006. The surcharge rate remained unchanged at 5.0 percent.

#### YCUA's Changes in Net Assets

	<u>2006</u>	<u>2005</u>
Operating revenue	\$ 31,802,962	\$ 31,970,591
Expenses:		
Water division	12,143,881	11,838,833
Wastewater division	<u>20,061,580</u>	<u>16,560,262</u>
Total expenses	<u>32,205,461</u>	<u>28,399,095</u>
Operating income (loss)	(402,499)	3,571,496
Non-operating revenue	<u>905,507</u>	<u>1,604,594</u>
Net income	503,008	5,176,090
Capital contributions	8,356,155	14,833,805
Special item	<u>(38,674)</u>	<u>-</u>
Change in net assets	8,820,489	20,009,895
Net assets - beginning	<u>195,121,759</u>	<u>175,111,864</u>
Net assets - end of year	<u><u>\$203,942,248</u></u>	<u><u>\$195,121,759</u></u>

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

**Capital assets.** YCUA's investment in capital assets as of August 31, 2006 amounted to \$248.4 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 \$10.1 million or 4.2 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>2006</u>	<u>2005</u>
Land	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,309,413	1,363,813
Wastewater treatment plant	139,885,661	31,653,447
Water and wastewater systems	102,422,310	76,646,383
Vehicles	942,437	811,506
Equipment	1,500,643	1,795,958
Construction in process	<u>1,045,664</u>	<u>124,730,041</u>
Total	<u>\$248,404,832</u>	<u>\$238,299,852</u>

Additional information on the Authority's capital assets can be found in Note 3-D on pages 21-22 of this report.

**Long-term debt.** At year-end, the Authority had \$70,456,336 of long-term debt including limited tax obligation bonds, revenue bonds, capital leases and other obligations as summarized below.

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

	<u>2006</u>	<u>2005</u>
Limited tax obligation bonds	\$ 31,845,782	\$ 32,644,559
Revenue bonds	36,446,017	37,385,310
Capital leases	1,014,537	2,158,396
Environmental liability	<u>1,150,000</u>	<u>1,150,000</u>
Total	<u>\$ 70,456,336</u>	<u>\$ 73,338,265</u>

Additional information on the Authority's long-term debt can be found in Note 3-E on pages 23-28 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 2007. 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 improve from those during fiscal 2006. 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 results, ordinances have been passed to increase water and wastewater rates as previously described.

The Authority's operating budget for fiscal 2007 is approximately \$39 million; key provisions include:

- An increase of roughly 8 percent in operating revenue attributable to rate and consumption increases.
- A net increase of 22 percent in operating expenses due to escalating costs for purchased water, chemicals, utilities and depreciation on new portions of the wastewater treatment plant.

The capital budget for fiscal 2007 totals approximately \$16 million due primarily to water main replacement projects in the Township division. 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:

- 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 2007, about four miles of water main in the City and Township are scheduled for replacement.
- Sewer improvements include installing by-pass provisions around four pumping stations 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**

	August 31,	
	2006	2005
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 12,318,685	\$ 13,336,554
Receivables, net	5,834,065	6,453,383
Inventories	870,263	686,918
Prepaid items	61,500	248,765
Total current assets	19,084,513	20,725,620
Noncurrent assets:		
Restricted assets:		
Cash and investments	10,338,059	12,623,247
Bonds reserve funds held by City of Ypsilanti	2,425,944	2,261,801
Receivables, long-term portion	653,382	730,145
Capital assets not being depreciated	2,344,368	126,028,745
Capital assets being depreciated, net	246,060,464	112,271,107
Unamortized bond issuance costs	746,952	794,839
Total noncurrent assets	262,569,169	254,709,884
Total assets	281,653,682	275,435,504
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	3,195,725	2,752,038
Retentions, deposits and other liabilities	2,915,243	3,120,657
Accrued interest payable	623,618	663,424
Current maturities of long-term liabilities	2,930,217	3,393,859
Current maturities of accrued compensated absences	615,514	611,291
Total current liabilities	10,280,317	10,541,269
Long-term liabilities:		
Bonds payable	66,076,283	67,796,648
Capital leases payable	389,320	1,014,537
Environmental liability	350,000	350,000
Accrued compensated absences	615,514	611,291
Total long-term liabilities	67,431,117	69,772,476
Total liabilities	77,711,434	80,313,745
<b>Net assets</b>		
Invested in capital assets, net of related debt	179,809,012	166,894,808
Restricted	12,764,003	14,885,048
Unrestricted	11,369,233	13,341,903
Total net assets	\$ 203,942,248	195,121,759

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>2006</b>	<b>2005</b>
<b>Operating revenue</b>		
Water sales	\$ 11,542,307	\$ 11,649,244
Sewage disposal sales	13,621,058	13,701,463
Surcharges and other usage fees:		
Capital improvement surcharge	3,618,741	3,687,092
Construction reserve	433,807	391,035
Environmental reserve	106,254	125,324
Capital cost recovery	263,592	257,024
Other operating revenue	2,217,203	2,159,409
<b>Total operating revenue</b>	<b>31,802,962</b>	<b>31,970,591</b>
<b>Operating expenses</b>		
Water distribution	7,085,751	6,930,845
Wastewater treatment	13,052,424	10,226,090
Wastewater pump stations	883,122	834,416
Industrial surveillance	335,131	375,466
Transmission and distribution	6,105,316	5,766,919
Meter service	1,513,485	1,419,979
Customer accounting and collections	791,665	720,370
General and administration	2,438,567	2,125,010
<b>Total operating expenses</b>	<b>32,205,461</b>	<b>28,399,095</b>
Operating income (loss)	<b>(402,499)</b>	<b>3,571,496</b>
<b>Nonoperating income (expense)</b>		
Investment earnings	958,973	651,753
Connection fees	909,761	975,348
Debt service contribution	146,476	1,004,525
Interest and amortization expense	(1,109,703)	(951,745)
Loss on disposal of capital assets	-	(75,287)
<b>Total nonoperating income (expense)</b>	<b>905,507</b>	<b>1,604,594</b>
Income before contributions and special item	503,008	5,176,090
<b>Capital contributions</b>	<b>8,356,155</b>	<b>14,833,805</b>
<b>Special item</b>	<b>(38,674)</b>	<b>-</b>
Change in net assets	8,820,489	20,009,895
Net assets, beginning of year	195,121,759	175,111,864
<b>Net assets, end of year</b>	<b>\$ 203,942,248</b>	<b>\$ 195,121,759</b>

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>2006</b>	<b>2005</b>
<b>Cash flows from operating activities</b>		
Receipts from customers and users	\$ 32,001,671	\$ 32,904,012
Payments to suppliers	(12,363,642)	(18,115,490)
Payments to employees and employee benefits	(12,785,219)	(11,036,090)
	6,852,810	3,752,432
<b>Cash flows from capital and related financing activities</b>		
Proceeds from draws of long-term debt	584,423	6,685,169
Bond reserve funds deposited with the City of Ypsilanti	(164,143)	(164,143)
Acquisition and construction of capital assets	(12,569,833)	(26,388,357)
Proceeds from sale or disposal of capital assets	-	72,799
Payments for special item	(38,674)	-
Principal payments on long-term debt	(3,466,352)	(3,009,122)
Interest payments on long-term debt	(3,068,405)	(3,099,184)
Receipts for debt service costs	146,476	1,004,525
Receipts from capital contributions	6,551,421	17,936,477
Receipts from connection fees	909,761	975,348
	(11,115,326)	(5,986,488)
<b>Cash flows from investing activities</b>		
Earnings received on investments	959,459	717,439
	(3,303,057)	(1,516,617)
Net increase (decrease) in cash and investments		
Cash and investments, beginning of year	25,959,801	27,476,418
<b>Cash and investments, end of year</b>	\$ 22,656,744	\$ 25,959,801
<b>Reconciliation to statements of net assets</b>		
Cash and investments	\$ 12,318,685	\$ 13,336,554
Restricted cash and investments	10,338,059	12,623,247
<b>Total cash and investments</b>	\$ 22,656,744	\$ 25,959,801

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Statements of Cash Flows (Concluded)**

	<b>For the Year Ended August 31,</b>	
	<b>2006</b>	<b>2005</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income (loss)	\$ (402,499)	\$ 3,571,496
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	6,692,593	5,220,729
Amortization of bond issuance costs, discounts and deferred loss on refunding	113,368	105,726
Changes in current assets and liabilities:		
Receivables	198,709	933,421
Inventories	(183,345)	(58,866)
Prepaid items	187,265	(103,945)
Accounts payable	443,687	(5,497,971)
Retentions, deposits and other liabilities	(205,414)	(527,912)
Accrued compensated absences	8,446	109,754
	<u>\$ 6,852,810</u>	<u>\$ 3,752,432</u>
<b>Net cash provided by operating activities</b>		
	<u>\$ 6,852,810</u>	<u>\$ 3,752,432</u>
<b>Non-cash items</b>		
Capital contributions from developers	\$ 2,301,620	\$ 305,609
	<u>\$ 2,301,620</u>	<u>\$ 305,609</u>

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 uses a single proprietary or enterprise fund to account for and report its financial activities, which is 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 nonoperating 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 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. (See Note 3-B)

#### 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, 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, 2006 and 2005, net interest costs of \$1,926,120 and \$2,287,944, 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.

### Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# 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>2006</u>	<u>2005</u>
<b>Statement of Net Assets:</b>		
Cash and investments	\$ 12,318,685	\$ 13,336,554
Restricted cash and investments	<u>10,338,059</u>	<u>12,623,247</u>
<b>Total</b>	<b><u>\$ 22,656,744</u></b>	<b><u>\$ 25,959,801</u></b>
<b>Deposits and Investments:</b>		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 11,116,714	\$ 10,952,829
Investments in securities and money market accounts	11,539,180	15,005,917
Cash on hand	<u>850</u>	<u>1,055</u>
<b>Total</b>	<b><u>\$ 22,656,744</u></b>	<b><u>\$ 25,959,801</u></b>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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*Custodial Credit Risk - Deposits.* For deposits, custodial credit risk is the risk, that in the event of a bank failure, the Authority's deposits may not be returned to the government. As of August 31, 2006, \$11,114,830 of the Authority's total bank balance of \$11,814,830 (total book balance was \$11,116,714) was exposed to custodial credit risk as it was uninsured and uncollateralized. As of August 31, 2005, \$13,125,773 of the Authority's total bank balance of \$13,725,773 (total book balance was \$10,952,829) was exposed to custodial credit risk as it was uninsured and uncollateralized.

The Authority's investment policy does not specifically address this risk, although 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.

*Custodial Credit Risk - Investments.* Following is a summary of the Authority's investments as of August 31:

	<u>2006</u>	<u>2005</u>
Commercial paper	\$ -	\$ 1,892,546
Money market accounts	<u>11,539,180</u>	<u>13,113,371</u>
<b>Total</b>	<b><u>\$ 11,539,180</u></b>	<b><u>\$ 15,005,917</u></b>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery *vs.* payment. As of August 31, 2006 and 2005, none of the Authority's investments, excluding the money market accounts, which are not subject to custodial credit risk, were exposed to risk since the securities are held in the Authority's name by the counterparty.

*Credit Risk.* As of August 31, 2005, the Authority's investments in commercial paper were rated A1 by Standard & Poor's; the Authority did not hold any commercial paper investments as of August 31, 2006. The Authority held investments in money market mutual funds, which are not rated. All of the Authority's investments comply with its policy regarding the types of investments it may hold.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

*Interest Rate Risk.* As of August 31, 2005, maturities of the commercial paper held by the Authority were less than one year. The Authority's policy is that funds be invested in securities whose maturities do not exceed two years at the time of purchase, except for debt retirement, motor pool and capital funds may be invested longer provided the maturity dates match anticipated cash needs. The Authority's investments comply with this policy.

### 3-B. Receivables

Receivables as of August 31 are summarized as follows:

	<u>2006</u>	<u>2005</u>
Accounts	\$ 5,332,816	\$ 5,457,751
Due from Western Townships Utility Authority	336,788	833,674
Accrued investment interest	7,703	8,189
Benefit charges	163,038	161,488
Special assessments	581,700	633,124
Note	<u>65,402</u>	<u>89,302</u>
	6,487,447	7,183,528
Less long-term portion of benefit charges, special assessments and note	<u>(653,382)</u>	<u>(730,145)</u>
	<u>\$ 5,834,065</u>	<u>\$ 6,453,383</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>2006</u>	<u>2005</u>
Township bond and interest reserve (Ordinance No. 11, section 13; amended by No. 47)	\$ 300,000	\$ 300,000
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	1,880,328	1,871,547
WWTP future construction reserve (WWTP construction agreement, as amended)	330,615	-
Flexible spending account (IRS regulatory requirement)	3,177	-
City construction reserve surcharge (Ordinance No. 697, section 2.137)	1,003,336	891,731
City debt retirement and capital improvements surcharge (Ordinance No. 696, amended by Ordinance No. 959)	708,664	1,073,697
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	984,050	603,694
EPA replacement reserve (EPA regulatory requirements)	2,310,914	1,934,944
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,834,235	1,708,442
WTUA construction trust account (WTUA wastewater disposal agreement, as amended)	375,360	2,703,584
Construction project bond/capital lease proceeds (Bond ordinances)	607,380	1,535,608
	<u>\$ 10,338,059</u>	<u>\$ 12,623,247</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 3-D. Capital Assets

Capital assets activity for the year ended August 31, 2006 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	124,730,041	13,735,424	(137,419,801)	1,045,664
Total capital assets not being depreciated	126,028,745	13,735,424	(137,419,801)	2,344,368
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	65,884,265	111,492,367	-	177,376,632
Water and wastewater systems	115,253,362	28,368,790	-	143,622,152
Vehicles	2,584,578	336,203	(10,586)	2,910,195
Equipment	4,180,374	284,590	-	4,464,964
Total capital assets being depreciated	190,072,502	140,481,950	(10,586)	330,543,866
Less accumulated depreciation for:				
Buildings and improvements	806,110	54,400	-	860,510
Wastewater treatment plant	34,230,818	3,260,153	-	37,490,971
Water and wastewater systems	38,606,979	2,592,863	-	41,199,842
Vehicles	1,773,072	205,272	(10,586)	1,967,758
Equipment	2,384,416	579,905	-	2,964,321
Total accumulated depreciation	77,801,395	6,692,593	(10,586)	84,483,402
Total capital assets being depreciated, net	112,271,107	133,789,357	-	246,060,464
Total capital assets, net	\$ 238,299,852	\$ 147,524,781	\$ (137,419,801)	\$ 248,404,832



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Capital assets activity for the year ended August 31, 2005 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	104,816,651	27,942,891	(8,029,501)	124,730,041
Total capital assets not being depreciated	106,115,355	27,942,891	(8,029,501)	126,028,745
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	61,932,337	4,534,378	(582,450)	65,884,265
Water and wastewater systems	111,394,763	3,896,406	(37,807)	115,253,362
Vehicles	2,440,755	158,511	(14,688)	2,584,578
Equipment	4,000,990	479,225	(299,841)	4,180,374
Total capital assets being depreciated	181,938,768	9,068,520	(934,786)	190,072,502
Less accumulated depreciation for:				
Buildings and improvements	751,711	54,399	-	806,110
Wastewater treatment plant	32,894,785	1,875,552	(539,519)	34,230,818
Water and wastewater systems	36,075,751	2,565,884	(34,656)	38,606,979
Vehicles	1,619,100	168,660	(14,688)	1,773,072
Equipment	2,026,019	556,234	(197,837)	2,384,416
Total accumulated depreciation	73,367,366	5,220,729	(786,700)	77,801,395
Total capital assets being depreciated, net	108,571,402	3,847,791	(148,086)	112,271,107
Total capital assets, net	\$ 214,686,757	\$ 31,790,682	\$ (8,177,587)	\$ 238,299,852

The Authority has active construction projects as of August 31, 2006. 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 \$110 million on the plant expansion and second connection; its remaining commitments are approximately \$1 million. These projects are being financed through a combination of bond issues 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 issues outstanding as of August 31, 2006 was \$35,683,677. During fiscal 2006 and 2005, no new bonds were issued, although the cash draws against the 2003 Drinking Water Revolving Fund bond amounted to \$136,223 and \$282,567, respectively, which were the project construction costs incurred during those years. The total amount authorized under this issue is \$3,355,000; accordingly, \$161,274 is still available as of August 31, 2006, and expected to be drawn.

Limited tax obligation bonds outstanding at August 31 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>
<b><u>2006</u></b>							
1998 water (DWRf)	Twp	2.50%	\$ 2,592,056	\$ -	\$ (195,000)	\$ 2,397,056	\$ 200,000
1999 water (DWRf)	City	2.50%	755,000	-	(45,000)	710,000	45,000
1999 sewer	Twp	4.90-5.35%	1,195,000	-	(60,000)	1,135,000	60,000
2000 sewer	Twp	5.00-5.10%	2,240,000	-	(90,000)	2,150,000	95,000
2001 sewer	Twp	4.875-5.10%	6,660,000	-	(125,000)	6,535,000	130,000
2002 sewer	Twp	3.00-5.00%	14,425,000	-	(230,000)	14,195,000	245,000
2003 water	Twp	3.00-4.35%	1,850,000	-	(55,000)	1,795,000	60,000
2003 water (DWRf)	Twp	2.50%	2,927,503	136,223	(135,000)	2,928,726	140,000
			<u>\$32,644,559</u>	<u>\$ 136,223</u>	<u>\$ (935,000)</u>	<u>\$ 31,844,782</u>	<u>\$ 975,000</u>
<b><u>2005</u></b>							
1998 water (DWRf)	Twp	2.50%	\$ 2,782,056	\$ -	\$ (190,000)	\$ 2,592,056	\$ 195,000
1999 water (DWRf)	City	2.50%	795,000	-	(40,000)	755,000	45,000
1999 sewer	Twp	4.90-5.35%	1,250,000	-	(55,000)	1,195,000	60,000
2000 sewer	Twp	5.00-5.10%	2,325,000	-	(85,000)	2,240,000	90,000
2001 sewer	Twp	4.875-5.10%	6,780,000	-	(120,000)	6,660,000	125,000
2002 sewer	Twp	3.00-5.00%	14,625,000	-	(200,000)	14,425,000	230,000
2003 water	Twp	3.00-4.35%	1,850,000	-	-	1,850,000	55,000
2003 water (DWRf)	Twp	2.50%	2,774,936	282,567	(130,000)	2,927,503	135,000
			<u>\$33,181,992</u>	<u>\$ 282,567</u>	<u>\$ (820,000)</u>	<u>\$ 32,644,559</u>	<u>\$ 935,000</u>

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

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Because certain principal and interest payments on bonds are due September 1, the Authority makes payment on those obligations on or before August 31. As such, since the amounts *due within one year* for certain issues were already paid, no amounts are shown as payable within one year for those particular issues.

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>
2007	\$ 975,000	\$ 1,371,603
2008	1,020,000	1,338,539
2009	1,065,000	1,301,055
2010	1,115,000	1,294,851
2011	1,160,000	1,224,301
2012-2016	6,565,000	5,429,370
2017-2021	6,752,056	4,079,003
2022-2026	6,015,000	2,653,022
2027-2031	6,355,000	1,236,080
2032	985,000	49,250
	<u>32,007,056</u>	<u>\$19,977,074</u>
Less available draws	<u>161,274</u>	
	<u>\$31,845,782</u>	

*Revenue bonds.* The Authority, in conjunction with City, also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. The original amount of revenue bonds issued in prior years for the issues outstanding as of August 31, 2006 was \$39,560,000. During fiscal 2006 and 2005, no new bonds were issued, although the cash draws against previously issued bonds amounted to \$448,200 and \$6,402,602, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues is \$16,615,000; as of August 31, 2006, \$416,490 is still available and expected to be drawn.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Revenue bonds outstanding at August 31 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>
<b><u>2006</u></b>							
2001 water and sewer	City	4.25-6.00%	\$ 3,925,000	\$ -	\$ (30,000)	\$ 3,895,000	\$ -
2002A water and sewer	City	4.00-5.00%	4,895,000	-	(40,000)	4,855,000	-
2002B water (DWRF)	City	2.50%	440,000	-	(20,000)	420,000	20,000
2002C water and sewer	City	4.00-5.00%	8,080,000	-	(210,000)	7,870,000	-
2003A water and sewer	City	3.00-4.10%	4,610,000	-	(495,000)	4,115,000	-
2003B water and sewer	City	3.50-4.25%	1,451,039	19,216	(25,000)	1,445,255	-
2003C water (DWRF)	City	2.50%	736,317	18,683	(30,000)	725,000	30,000
2003D water (DWRF)	City	2.50%	5,095,000	-	(222,493)	4,872,507	220,000
2004A water and sewer	City	3.30-4.55%	1,822,954	410,301	(60,000)	2,173,255	-
2004B water (DWRF)	City	2.125%	6,330,000	-	(255,000)	6,075,000	260,000
			<u>\$ 37,385,310</u>	<u>\$ 448,200</u>	<u>\$ (1,387,493)</u>	<u>\$ 36,446,017</u>	<u>\$ 530,000</u>
<b><u>2005</u></b>							
1995 water and sewer	City	5.375%	\$ 375,000	\$ -	\$ (375,000)	\$ -	\$ -
2001 water and sewer	City	4.00-6.00%	3,955,000	-	(30,000)	3,925,000	-
2002A water and sewer	City	4.00-5.00%	4,935,000	-	(40,000)	4,895,000	-
2002B water (DWRF)	City	2.50%	460,000	-	(20,000)	440,000	20,000
2002C water and sewer	City	4.00-5.00%	8,280,000	-	(200,000)	8,080,000	-
2003A water and sewer	City	2.50-4.10%	4,705,000	-	(95,000)	4,610,000	-
2003B water and sewer	City	3.50-4.25%	1,356,144	119,895	(25,000)	1,451,039	-
2003C water (DWRF)	City	2.50%	698,370	67,947	(30,000)	736,317	30,000
2003D water (DWRF)	City	2.50%	4,917,130	382,870	(205,000)	5,095,000	210,000
2004A water and sewer	City	3.30-4.55%	816,560	1,061,394	(55,000)	1,822,954	-
2004B water (DWRF)	City	2.125%	1,559,504	4,770,496	-	6,330,000	255,000
			<u>\$ 32,057,708</u>	<u>\$ 6,402,602</u>	<u>\$ (1,075,000)</u>	<u>\$ 37,385,310</u>	<u>\$ 515,000</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Annual debt service requirements to maturity for revenue bonds are as follows:

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,390,000	\$ 1,383,981
2008	1,440,000	1,343,258
2009	1,490,000	1,299,708
2010	1,535,000	1,251,152
2011	1,585,000	1,205,777
2012-2016	8,580,000	5,190,112
2017-2021	9,345,000	3,606,790
2022-2026	9,675,000	1,664,159
2027-2031	<u>2,695,000</u>	<u>127,310</u>
	37,735,000	<u>\$17,072,247</u>
Less available draws	<u>1,288,983</u>	
	<u>\$36,446,017</u>	

*Capital leases.* The Authority has entered into agreements for the acquisition of a building and the construction and operation of system expansions and improvements that constitute capital leases under Financial Accounting Standards Board Statements No. 13. With the exception of the building capital lease (which is an agreement between the Authority and the Township), the leases represent a limited tax obligation bond issued by the County 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 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 issues outstanding as of August 31, 2006 was \$12,793,163. During fiscal 2006 and 2005, no new capital leases were issued.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

Capital leases outstanding at August 31 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>
<b><u>2006</u></b>							
Building	n/a	10.70%	\$ 703,396	\$ -	\$ (148,859)	\$ 554,537	\$ 165,217
1994 sewer	County	5.10%	1,120,000	-	(840,000)	280,000	280,000
1999 sewer	County	4.20%	335,000	-	(155,000)	180,000	180,000
			<u>\$ 2,158,396</u>	<u>\$ -</u>	<u>\$ (1,143,859)</u>	<u>\$ 1,014,537</u>	<u>\$ 625,217</u>
<b><u>2005</u></b>							
Building	n/a	10.70%	\$ 837,518	\$ -	\$ (134,122)	\$ 703,396	\$ 148,859
1994 sewer	County	5.10%	1,970,000	-	(850,000)	1,120,000	840,000
1999 sewer	County	4.15-4.20%	465,000	-	(130,000)	335,000	155,000
			<u>\$ 3,272,518</u>	<u>\$ -</u>	<u>\$ (1,114,122)</u>	<u>\$ 2,158,396</u>	<u>\$ 1,143,859</u>

Capital leases debt service requirements to maturity are as follows:

<b>Year Ended</b>	<b>Principal</b>	<b>Interest</b>
<b>August 31,</b>		
2007	\$ 625,217	\$ 72,843
2008	183,372	36,628
2009	205,948	14,052
	<u>\$ 1,014,537</u>	<u>\$ 123,523</u>

*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.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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 agreed 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, 2006, 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.

*Changes in long-term debt.* Following is a summary of long-term debt activity for the year ended August 31, 2006:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Limited tax obligation bonds	\$ 32,644,559	\$ 136,223	\$ (935,000)	\$ 31,845,782	\$ 975,000
Revenue bonds	37,385,310	448,200	(1,387,493)	36,446,017	530,000
Capital leases	2,158,396	-	(1,143,859)	1,014,537	625,217
Environmental liability	1,150,000	-	-	1,150,000	800,000
Compensated absences	1,222,582	1,029,509	(1,021,063)	1,231,028	615,514
	74,560,847	1,613,932	(4,487,415)	71,687,364	3,545,731
Deduct deferred amounts for:					
Issuance discounts	(401,109)	-	19,211	(381,898)	-
Deferred loss on refunding	(382,112)	-	53,494	(328,618)	-
	\$ 73,777,626	\$ 1,613,932	\$(4,414,710)	\$ 70,976,848	\$ 3,545,731

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### 3-F. Capital Contributions

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

	<u>2006</u>	<u>2005</u>
Western Townships Utility Authority	\$ 6,054,535	\$ 14,835,286
Private developers	2,301,620	305,609
Superior Township	-	(307,090)
	<u>\$ 8,356,155</u>	<u>\$ 14,833,805</u>

### 3-G. Special Item

During the year ended August 31, 2006, the Authority began work on a project to demolish the former Bridge Road water distribution plant for public safety purposes; the plant has not been operational since 1994. The project cost is estimated at \$1 million of which \$38,674 was spent during the current year. The cost of this project is being treated as a special item pursuant to GASB Statement Number 34 since it is unusual in nature (i.e., incidentally related to the ordinary and typical operations of the Authority) and subject to management control.

## 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.

### 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 Authority. 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.



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

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### 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 year ended August 31, 2006, 52 retirees received benefits at a cost to the Authority of \$822,491; for the prior year, 56 retirees received benefits at a cost to the Authority of \$792,147.

During the year ended August 31, 2006, the Authority established a retiree health care plan trust through the Municipal Employees Retirement System of Michigan, made an initial plan contribution of \$1,138,109 (\$1,960,600 less actual benefits paid of \$822,491) and commissioned the preparation of an actuarial valuation of the plan as of August 31, 2005. The Authority has determined that it will wait to implement GASB Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, until the year ending August 31, 2009 when required by the standard. The Authority intends to continue making annual contributions to the plan during the interim, but at less than the annual required contribution (ARC) level determined by the actuarial valuation. The contribution made during the year ended August 31, 2006 (\$1,960,600) was approximately 92% of the ARC; the Authority expects to contribute at a comparable level until implementation of GASB 45. Prior to any contributions, the actuarial valuation as of August 31, 2005 estimated an unfunded actuarial accrued liability of approximately \$29.5 million.

### 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 MERS Retirement Board. 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 13.72% 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 2.0%. 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, 2006, the Authority's annual pension cost of \$1,039,502 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2003 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, 2005, the date of the latest actuarial valuation, was 30 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>
2004	\$775,472	100%	\$ -
2005	925,863	100	-
2006	1,039,502	100	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial 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%
12/31/04	22,212,469	31,546,256	9,333,787	70%	6,738,337	139%
12/31/05	23,276,154	33,270,928	9,994,774	70%	7,186,387	139%

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### 4-E. 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-F. Segment Information

Revenue bonds have been issued through the City to finance certain water and wastewater capital projects. The City and Township divisions are accounted for in a single fund (i.e., the Authority). However, investors in the revenue bonds rely solely on the revenue generated by the City division for repayment. Accordingly, summary information for the City and Township divisions as of and for the year ended August 31, 2006 is presented below.

#### Condensed Statement of Net Assets

	<u>City</u>	<u>Township</u>	<u>Totals</u>
Current and other assets	\$ 11,344,669	\$ 21,904,181	\$ 33,248,850
Capital assets	76,367,976	172,036,856	248,404,832
Total assets	<u>87,712,645</u>	<u>193,941,037</u>	<u>281,653,682</u>
Long-term liabilities	37,090,293	33,886,555	70,976,848
Other liabilities	996,794	5,737,792	6,734,586
Total liabilities	<u>38,087,087</u>	<u>39,624,347</u>	<u>77,711,434</u>
Invested in capital assets, net of related debt	39,542,231	140,266,781	179,809,012
Restricted	5,710,555	7,053,448	12,764,003
Unrestricted	4,372,772	6,996,461	11,369,233
Total net assets	<u>\$ 49,625,558</u>	<u>\$ 154,316,690</u>	<u>\$ 203,942,248</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to Financial Statements

### Condensed Statement of Revenues, Expenses and Changes in Net Assets

	City			Township			Totals
	Water	Wastewater	Total	Water	Wastewater	Total	
Operating revenue	\$ 3,092,013	\$ 5,139,548	\$ 8,231,561	\$ 10,659,254	\$ 12,912,147	\$ 23,571,401	\$ 31,802,962
Operating expenses:							
Depreciation	600,213	952,832	1,553,045	1,250,185	3,889,363	5,139,548	6,692,593
Other operating expenses	1,732,885	3,366,565	5,099,450	8,560,598	11,852,820	20,413,418	25,512,868
	<u>2,333,098</u>	<u>4,319,397</u>	<u>6,652,495</u>	<u>9,810,783</u>	<u>15,742,183</u>	<u>25,552,966</u>	<u>32,205,461</u>
Operating income (loss)	758,915	820,151	1,579,066	848,471	(2,830,036)	(1,981,565)	(402,499)
Non-operating income (expense)	(187,235)	31,700	(155,535)	516,315	544,727	1,061,042	905,507
Capital contributions	-	2,256,200	2,256,200	-	6,099,955	6,099,955	8,356,155
Special item	-	-	-	(38,674)	-	(38,674)	(38,674)
Change in net assets	<u>\$ 571,680</u>	<u>\$ 3,108,051</u>	3,679,731	<u>\$ 1,326,112</u>	<u>\$ 3,814,646</u>	5,140,758	8,820,489
Net assets:							
Beginning of year			<u>45,945,827</u>			<u>149,175,932</u>	<u>195,121,759</u>
End of year			<u>\$ 49,625,558</u>			<u>\$ 154,316,690</u>	<u>\$ 203,942,248</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, 2006**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 1,514,474	\$ 10,027,833	\$ 11,542,307
Sewage disposal sales	2,983,581	10,637,477	13,621,058
Surcharges and other usage fees:			
Capital improvement surcharge	3,086,958	531,783	3,618,741
Construction reserve	76,938	356,869	433,807
Environmental reserve	-	106,254	106,254
Capital cost recovery	85,205	178,387	263,592
Other operating revenue	484,405	1,732,798	2,217,203
	<u>8,231,561</u>	<u>23,571,401</u>	<u>31,802,962</u>
<b>Operating expenses</b>			
Water distribution	1,035,327	6,050,424	7,085,751
Wastewater treatment	3,016,898	10,035,526	13,052,424
Wastewater pump stations	170,871	712,251	883,122
Industrial surveillance	77,884	257,247	335,131
Transmission and distribution	1,245,754	4,859,562	6,105,316
Meter service	362,019	1,151,466	1,513,485
Customer accounting and collections	189,367	602,298	791,665
General and administration	554,375	1,884,192	2,438,567
	<u>6,652,495</u>	<u>25,552,966</u>	<u>32,205,461</u>
Total operating expenses	<u>6,652,495</u>	<u>25,552,966</u>	<u>32,205,461</u>
Operating income	<u>1,579,066</u>	<u>(1,981,565)</u>	<u>(402,499)</u>
<b>Non-operating income (expense)</b>			
Investment earnings	347,237	611,736	958,973
Connection fees	61,780	847,981	909,761
Debt service contribution	146,476	-	146,476
Interest and amortization expense	(711,028)	(398,675)	(1,109,703)
	<u>(155,535)</u>	<u>1,061,042</u>	<u>905,507</u>
Non-operating income	<u>(155,535)</u>	<u>1,061,042</u>	<u>905,507</u>
Income before contributions and special item	1,423,531	(920,523)	503,008
<b>Capital contributions</b>	2,256,200	6,099,955	8,356,155
<b>Special item</b>	<u>-</u>	<u>(38,674)</u>	<u>(38,674)</u>
Change in net assets	3,679,731	5,140,758	8,820,489
Net assets, beginning of year	<u>45,945,827</u>	<u>149,175,932</u>	<u>195,121,759</u>
<b>Net assets, end of year</b>	<u>\$ 49,625,558</u>	<u>\$ 154,316,690</u>	<u>\$ 203,942,248</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues, Expenses and Changes in Net Assets**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Operating revenues</b>			
Water sales	\$ 11,542,307	\$ -	\$ 11,542,307
Sewage disposal sales	-	13,621,058	13,621,058
Surcharges and other usage fees:			
Capital improvement surcharge	1,809,370	1,809,371	3,618,741
Construction reserve	245,274	188,533	433,807
Environmental reserve	-	106,254	106,254
Capital cost recovery	-	263,592	263,592
Other operating revenue	154,316	2,062,887	2,217,203
	<u>13,751,267</u>	<u>18,051,695</u>	<u>31,802,962</u>
<b>Operating expenses</b>			
Water distribution	7,085,751	-	7,085,751
Wastewater treatment	-	13,052,424	13,052,424
Wastewater pump stations	-	883,122	883,122
Industrial surveillance	-	335,131	335,131
Transmission and distribution	2,862,090	3,243,226	6,105,316
Meter service	756,744	756,741	1,513,485
Customer accounting and collections	395,835	395,830	791,665
General and administration	1,043,461	1,395,106	2,438,567
	<u>12,143,881</u>	<u>20,061,580</u>	<u>32,205,461</u>
Total operating expenses	<u>12,143,881</u>	<u>20,061,580</u>	<u>32,205,461</u>
Operating income	<u>1,607,386</u>	<u>(2,009,885)</u>	<u>(402,499)</u>
<b>Non-operating income (expense)</b>			
Investment earnings	296,919	662,054	958,973
Connection fees	454,880	454,881	909,761
Debt service contribution	-	146,476	146,476
Interest and amortization expense	(422,719)	(686,984)	(1,109,703)
	<u>329,080</u>	<u>576,427</u>	<u>905,507</u>
Non-operating income	<u>329,080</u>	<u>576,427</u>	<u>905,507</u>
Income before contributions and special item	1,936,466	(1,433,458)	503,008
<b>Capital contributions</b>	-	8,356,155	8,356,155
<b>Special item</b>	<u>(38,674)</u>	<u>-</u>	<u>(38,674)</u>
<b>Change in net assets</b>	<u>\$ 1,897,792</u>	<u>\$ 6,922,697</u>	<u>\$ 8,820,489</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Schedule of Revenues and Expenses**  
**Water and Wastewater Allocation by Member**  
**For the Year Ended August 31, 2006**

	City		
	Water	Wastewater	Total
<b>Operating revenues</b>			
Water sales	\$ 1,514,474	\$ -	\$ 1,514,474
Sewage disposal sales	-	2,983,581	2,983,581
Surcharges and other usage fees:			
Capital improvement surcharge	1,543,479	1,543,479	3,086,958
Construction reserve	39,772	37,166	76,938
Environmental reserve	-	-	-
Capital cost recovery	-	85,205	85,205
Other operating revenue	(5,712)	490,117	484,405
	<u>3,092,013</u>	<u>5,139,548</u>	<u>8,231,561</u>
<b>Operating expenses</b>			
Water distribution	1,035,327	-	1,035,327
Wastewater treatment	-	3,016,898	3,016,898
Wastewater pump stations	-	170,871	170,871
Industrial surveillance	-	77,884	77,884
Transmission and distribution	782,680	463,074	1,245,754
Meter service	181,008	181,011	362,019
Customer accounting and collections	94,685	94,682	189,367
General and administration	239,398	314,977	554,375
	<u>2,333,098</u>	<u>4,319,397</u>	<u>6,652,495</u>
Total operating expenses	<u>2,333,098</u>	<u>4,319,397</u>	<u>6,652,495</u>
Operating income (expense)	<u>758,915</u>	<u>820,151</u>	<u>1,579,066</u>
<b>Non-operating income (expense)</b>			
Investment earnings	124,798	222,439	347,237
Connection fees	30,890	30,890	61,780
Debt service contribution	-	146,476	146,476
Interest and amortization expense	(342,923)	(368,105)	(711,028)
	<u>(187,235)</u>	<u>31,700</u>	<u>(155,535)</u>
Non-operating income (expense)	<u>(187,235)</u>	<u>31,700</u>	<u>(155,535)</u>
Income (loss) before contributions and special item	571,680	851,851	1,423,531
<b>Capital contributions</b>	-	2,256,200	2,256,200
<b>Special item</b>	-	-	-
<b>Change in net assets</b>	<u>\$ 571,680</u>	<u>\$ 3,108,051</u>	<u>\$ 3,679,731</u>



<b>Township</b>			
<b>Water</b>	<b>Wastewater</b>	<b>Total</b>	<b>Total</b>
\$ 10,027,833	\$ -	\$ 10,027,833	\$ 11,542,307
-	10,637,477	10,637,477	13,621,058
265,891	265,892	531,783	3,618,741
205,502	151,367	356,869	433,807
-	106,254	106,254	106,254
-	178,387	178,387	263,592
160,028	1,572,770	1,732,798	2,217,203
<u>10,659,254</u>	<u>12,912,147</u>	<u>23,571,401</u>	<u>31,802,962</u>
6,050,424	-	6,050,424	7,085,751
-	10,035,526	10,035,526	13,052,424
-	712,251	712,251	883,122
-	257,247	257,247	335,131
2,079,410	2,780,152	4,859,562	6,105,316
575,736	575,730	1,151,466	1,513,485
301,150	301,148	602,298	791,665
804,063	1,080,129	1,884,192	2,438,567
<u>9,810,783</u>	<u>15,742,183</u>	<u>25,552,966</u>	<u>32,205,461</u>
<u>848,471</u>	<u>(2,830,036)</u>	<u>(1,981,565)</u>	<u>(402,499)</u>
172,121	439,615	611,736	958,973
423,990	423,991	847,981	909,761
-	-	-	146,476
(79,796)	(318,879)	(398,675)	(1,109,703)
<u>516,315</u>	<u>544,727</u>	<u>1,061,042</u>	<u>905,507</u>
1,364,786	(2,285,309)	(920,523)	503,008
-	6,099,955	6,099,955	8,356,155
<u>(38,674)</u>	<u>-</u>	<u>(38,674)</u>	<u>(38,674)</u>
<u>\$ 1,326,112</u>	<u>\$ 3,814,646</u>	<u>\$ 5,140,758</u>	<u>\$ 8,820,489</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses**  
**City and Township Allocation**  
**For the Year Ended August 31, 2006**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Water distribution</b>			
Wages	\$ 59,804	\$ 341,298	\$ 401,102
Benefits allocation	39,973	228,120	268,093
Purchased water	889,390	5,075,666	5,965,056
Utilities	4,435	163,563	167,998
Maintenance and supplies	11,640	66,581	78,221
Engineering	820	8,180	9,000
Depreciation	4,831	27,571	32,402
Other	4,313	24,614	28,927
Fleet allocation	2,485	14,181	16,666
Maintenance allocation	17,636	100,650	118,286
	<u>1,035,327</u>	<u>6,050,424</u>	<u>7,085,751</u>
<b>Wastewater treatment</b>			
Wages	394,086	1,301,639	1,695,725
Benefits allocation	263,405	870,005	1,133,410
Utilities	481,077	1,588,965	2,070,042
Sludge removal	88,099	290,985	379,084
Maintenance	111,934	369,704	481,638
Engineering	28,789	95,086	123,875
Laboratory	3,114	10,284	13,398
Chemicals	121,803	402,306	524,109
Depreciation	813,484	2,686,877	3,500,361
Other	7,439	24,569	32,008
Fleet allocation	61,646	204,779	266,425
Maintenance allocation	510,412	1,755,629	2,266,041
Laboratory allocation	131,610	434,698	566,308
	<u>3,016,898</u>	<u>10,035,526</u>	<u>13,052,424</u>
<b>Wastewater pump stations</b>			
Wages	42,611	140,741	183,352
Benefits allocation	28,481	94,070	122,551
Utilities	74,006	392,319	466,325
Maintenance and supplies	24,589	81,212	105,801
Engineering	-	-	-
Depreciation	1,056	3,487	4,543
Other	128	422	550
	<u>170,871</u>	<u>712,251</u>	<u>883,122</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2006**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Industrial surveillance</b>			
Wages	\$ 40,939	\$ 135,221	\$ 176,160
Benefits allocation	27,364	90,380	117,744
Depreciation	478	1,579	2,057
Other	6,521	21,538	28,059
Fleet allocation	2,582	8,529	11,111
	<u>77,884</u>	<u>257,247</u>	<u>335,131</u>
<b>Transmission and distribution</b>			
Wages	301,793	1,336,605	1,638,398
Benefits allocation	199,883	895,210	1,095,093
Utilities	8,551	37,871	46,422
Sewer overflow settlements	18,890	94,973	113,863
Maintenance:			
Shop and office	4,979	22,053	27,032
Water and sewer mains	56,307	245,876	302,183
Engineering	-	-	-
Depreciation	572,841	1,877,888	2,450,729
Other	7,372	16,309	23,681
Fleet allocation	68,504	303,396	371,900
Maintenance allocation	6,634	29,381	36,015
	<u>1,245,754</u>	<u>4,859,562</u>	<u>6,105,316</u>
<b>Meter service</b>			
Wages	113,417	360,734	474,151
Benefits allocation	75,807	241,112	316,919
Utilities	2,837	9,059	11,896
Maintenance and supplies	2,988	9,502	12,490
Meter parts	57,487	182,838	240,325
Depreciation	89,193	283,686	372,879
Other	1,705	5,422	7,127
Fleet allocation	18,585	59,113	77,698
	<u>362,019</u>	<u>1,151,466</u>	<u>1,513,485</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2006**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Customer accounting and collections</b>			
Wages	\$ 86,877	\$ 276,321	\$ 363,198
Benefits allocation	58,068	184,691	242,759
Utilities	7,807	24,830	32,637
Maintenance and supplies	13,197	41,976	55,173
Postage	14,101	44,848	58,949
Depreciation	8,616	27,405	36,021
Other	701	2,227	2,928
	<u>189,367</u>	<u>602,298</u>	<u>791,665</u>
<b>General and administrative</b>			
Wages	96,268	317,968	414,236
Benefits allocation	64,345	212,527	276,872
Maintenance and supplies	9,566	31,592	41,158
Engineering	2,754	70,794	73,548
Building and liability insurance	72,558	239,656	312,214
Legal and settlements	24,138	78,240	102,378
Other professional services	1,673	5,523	7,196
Depreciation	4,779	15,786	20,565
Other	3,631	11,677	15,308
Bad debt expense	16,381	(5,038)	11,343
Fleet allocation	6,455	21,321	27,776
Maintenance allocation	4,333	14,310	18,643
Human resource allocation	149,522	546,247	695,769
Accounting allocation	97,972	323,589	421,561
	<u>554,375</u>	<u>1,884,192</u>	<u>2,438,567</u>
<b>Fleet</b>			
Wages	31,099	118,631	149,730
Benefits allocation	20,786	79,292	100,078
Utilities	9	33	42
Radio maintenance	1,171	4,465	5,636
Maintenance parts and supplies	22,069	84,187	106,256
Gas, oil and grease	28,203	107,583	135,786
Insurance	12,967	49,463	62,430
Depreciation	42,635	162,637	205,272
Other	1,318	5,028	6,346
Allocated to various departments	(160,257)	(611,319)	(771,576)
	<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, 2006**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Human resources</b>			
Wages	\$ 52,804	\$ 192,910	\$ 245,714
Benefits allocation	35,294	128,939	164,233
Safety program	1,391	5,080	6,471
Travel and training	2,810	10,267	13,077
Legal and professional	39,349	143,753	183,102
Physicals	3,032	11,078	14,110
Office supplies	2,622	9,581	12,203
Depreciation	5,882	21,488	27,370
Other	6,338	23,151	29,489
Allocated to general and administrative	(149,522)	(546,247)	(695,769)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Benefits and payroll taxes</b>			
Health insurance	691,844	2,527,531	3,219,375
Life insurance	4,349	15,889	20,238
Disability insurance	14,715	53,759	68,474
Social security	124,999	456,662	581,661
Workers compensation	30,925	112,980	143,905
Pension contribution	222,206	811,792	1,033,998
Unemployment	3,633	13,271	16,904
Uniforms	3,823	13,964	17,787
Allocated to various departments	(1,096,494)	(4,005,848)	(5,102,342)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Maintenance</b>			
Wages	313,321	1,104,420	1,417,741
Benefits allocation	209,421	738,187	947,608
Office and supplies	5,905	20,815	26,720
Depreciation	2,667	9,400	12,067
Other	7,701	27,148	34,849
Allocated to various departments	(539,015)	(1,899,970)	(2,438,985)
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Concluded)**  
**City and Township Allocation**  
**For the Year Ended August 31, 2006**

	<u>City</u>	<u>Township</u>	<u>Total</u>
<b>Laboratory</b>			
Wages	\$ 71,160	\$ 235,035	\$ 306,195
Benefits allocation	47,563	157,096	204,659
Maintenance and supplies	5,879	19,416	25,295
Contractual services	1,561	5,160	6,721
Depreciation	4,298	14,196	18,494
Other	1,149	3,795	4,944
Allocated to wastewater treatment	(131,610)	(434,698)	(566,308)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>			
Wages	39,055	128,994	168,049
Benefits allocation	26,104	86,219	112,323
Office supplies	1,228	4,057	5,285
Audit and accounting services	19,464	64,285	83,749
Depreciation	2,285	7,548	9,833
Other	9,836	32,486	42,322
Allocated to general and administrative	(97,972)	(323,589)	(421,561)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 6,652,495</u>	<u>\$ 25,552,966</u>	<u>\$ 32,205,461</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Water distribution</b>			
Wages	\$ 401,102	\$ -	\$ 401,102
Benefits allocation	268,093	-	268,093
Purchased water	5,965,056	-	5,965,056
Utilities	167,998	-	167,998
Maintenance and supplies	78,221	-	78,221
Engineering	9,000	-	9,000
Depreciation	32,402	-	32,402
Other	28,927	-	28,927
Fleet allocation	16,666	-	16,666
Maintenance allocation	118,286	-	118,286
	<u>7,085,751</u>	<u>-</u>	<u>7,085,751</u>
<b>Wastewater treatment</b>			
Wages	-	1,695,725	1,695,725
Benefits allocation	-	1,133,410	1,133,410
Utilities	-	2,070,042	2,070,042
Sludge removal	-	379,084	379,084
Maintenance	-	481,638	481,638
Engineering	-	123,875	123,875
Laboratory	-	13,398	13,398
Chemicals	-	524,109	524,109
Depreciation	-	3,500,361	3,500,361
Other	-	32,008	32,008
Fleet allocation	-	266,425	266,425
Maintenance allocation	-	2,266,041	2,266,041
Laboratory allocation	-	566,308	566,308
	<u>-</u>	<u>13,052,424</u>	<u>13,052,424</u>
<b>Wastewater pump stations</b>			
Wages	-	183,352	183,352
Benefits allocation	-	122,551	122,551
Utilities	-	466,325	466,325
Maintenance and supplies	-	105,801	105,801
Engineering	-	-	-
Depreciation	-	4,543	4,543
Other	-	550	550
	<u>-</u>	<u>883,122</u>	<u>883,122</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Industrial surveillance</b>			
Wages	\$ -	\$ 176,160	\$ 176,160
Benefits allocation	-	117,744	117,744
Depreciation	-	2,057	2,057
Other	-	28,059	28,059
Fleet allocation	-	11,111	11,111
	<u>-</u>	<u>335,131</u>	<u>335,131</u>
<b>Transmission and distribution</b>			
Wages	590,151	1,048,247	1,638,398
Benefits allocation	394,016	701,077	1,095,093
Utilities	16,721	29,701	46,422
Sewer overflow settlements	40,950	72,913	113,863
Maintenance:			
Shop and office	9,736	17,296	27,032
Water and sewer mains	108,860	193,323	302,183
Engineering	-	-	-
Depreciation	1,536,748	913,981	2,450,729
Other	8,609	15,072	23,681
Fleet allocation	133,909	237,991	371,900
Maintenance allocation	22,390	13,625	36,015
	<u>2,862,090</u>	<u>3,243,226</u>	<u>6,105,316</u>
<b>Meter service</b>			
Wages	237,076	237,075	474,151
Benefits allocation	158,460	158,459	316,919
Utilities	5,949	5,947	11,896
Maintenance and supplies	6,245	6,245	12,490
Meter parts	120,163	120,162	240,325
Depreciation	186,439	186,440	372,879
Other	3,563	3,564	7,127
Fleet allocation	38,849	38,849	77,698
	<u>756,744</u>	<u>756,741</u>	<u>1,513,485</u>

Continued...



**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Continued)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Customer accounting and collections</b>			
Wages	\$ 181,599	\$ 181,599	\$ 363,198
Benefits allocation	121,380	121,379	242,759
Utilities	16,319	16,318	32,637
Maintenance and supplies	27,588	27,585	55,173
Postage	29,475	29,474	58,949
Depreciation	18,010	18,011	36,021
Other	1,464	1,464	2,928
	<u>395,835</u>	<u>395,830</u>	<u>791,665</u>
<b>General and administrative</b>			
Wages	207,118	207,118	414,236
Benefits allocation	138,436	138,436	276,872
Maintenance and supplies	20,579	20,579	41,158
Engineering	36,773	36,775	73,548
Building and liability insurance	156,107	156,107	312,214
Legal and settlements	51,189	51,189	102,378
Other professional services	3,598	3,598	7,196
Depreciation	10,283	10,282	20,565
Other	7,655	7,653	15,308
Bad debt expense	5,671	5,672	11,343
Fleet allocation	13,888	13,888	27,776
Maintenance allocation	9,322	9,321	18,643
Human resource allocation	172,063	523,706	695,769
Accounting allocation	210,779	210,782	421,561
	<u>1,043,461</u>	<u>1,395,106</u>	<u>2,438,567</u>
<b>Fleet</b>			
Wages	39,454	110,276	149,730
Benefits allocation	26,371	73,707	100,078
Utilities	11	31	42
Radio maintenance	1,485	4,151	5,636
Maintenance parts and supplies	28,000	78,256	106,256
Gas, oil and grease	35,780	100,006	135,786
Insurance	16,450	45,980	62,430
Depreciation	54,089	151,183	205,272
Other	1,672	4,674	6,346
Allocated to various departments	(203,312)	(568,264)	(771,576)
	<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, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Human resources</b>			
Wages	\$ 60,765	\$ 184,949	\$ 245,714
Benefits allocation	40,615	123,618	164,233
Safety program	1,600	4,871	6,471
Travel and training	3,234	9,843	13,077
Legal and professional	45,281	137,821	183,102
Physicals	3,489	10,621	14,110
Office supplies	3,018	9,185	12,203
Depreciation	6,769	20,601	27,370
Other	7,292	22,197	29,489
Allocated to general and administrative	(172,063)	(523,706)	(695,769)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Benefits and payroll taxes</b>			
Health insurance	796,151	2,423,224	3,219,375
Life insurance	5,005	15,233	20,238
Disability insurance	16,934	51,540	68,474
Social security	143,845	437,816	581,661
Workers compensation	35,588	108,317	143,905
Pension contribution	255,708	778,290	1,033,998
Unemployment	4,180	12,724	16,904
Uniforms	4,399	13,388	17,787
Allocated to various departments	(1,261,810)	(3,840,532)	(5,102,342)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Maintenance</b>			
Wages	87,191	1,330,550	1,417,741
Benefits allocation	58,278	889,330	947,608
Office and supplies	1,643	25,077	26,720
Depreciation	742	11,325	12,067
Other	2,144	32,705	34,849
Allocated to various departments	(149,998)	(2,288,987)	(2,438,985)
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses (Concluded)**  
**Water and Wastewater Allocation**  
**For the Year Ended August 31, 2006**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Laboratory</b>			
Wages	\$ -	\$ 306,195	\$ 306,195
Benefits allocation	-	204,659	204,659
Maintenance and supplies	-	25,295	25,295
Contractual services	-	6,721	6,721
Depreciation	-	18,494	18,494
Other	-	4,944	4,944
Allocated to wastewater treatment	-	(566,308)	(566,308)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>			
Wages	84,025	84,024	168,049
Benefits allocation	56,161	56,162	112,323
Office supplies	2,642	2,643	5,285
Audit and accounting services	41,875	41,874	83,749
Depreciation	4,916	4,917	9,833
Other	21,160	21,162	42,322
Allocated to general and administrative	(210,779)	(210,782)	(421,561)
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 12,143,881</u>	<u>\$ 20,061,580</u>	<u>\$ 32,205,461</u>

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses -**  
**Budget and Actual**  
**For the Year Ended August 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Water distribution</b>				
Wages	\$ 357,894	\$ 357,894	\$ 401,102	\$ 43,208
Benefits allocation	275,715	275,715	268,093	(7,622)
Purchased water	5,582,379	5,582,379	5,965,056	382,677
Utilities	163,593	163,593	167,998	4,405
Maintenance and supplies	35,135	35,135	78,221	43,086
Engineering	23,214	23,214	9,000	(14,214)
Depreciation	11,431	11,431	32,402	20,971
Other	36,734	36,734	28,927	(7,807)
Fleet allocation	11,280	11,280	16,666	5,386
Maintenance allocation	111,882	111,882	118,286	6,404
	<u>6,609,257</u>	<u>6,609,257</u>	<u>7,085,751</u>	<u>476,494</u>
<b>Wastewater treatment</b>				
Wages	1,605,065	1,605,065	1,695,725	90,660
Benefits allocation	1,236,512	1,236,512	1,133,410	(103,102)
Utilities	2,019,930	2,019,930	2,070,042	50,112
Sludge removal	297,000	297,000	379,084	82,084
Maintenance	696,719	696,719	481,638	(215,081)
Engineering	263,471	263,471	123,875	(139,596)
Laboratory	17,720	17,720	13,398	(4,322)
Chemicals	300,000	300,000	524,109	224,109
Depreciation	2,294,461	2,294,461	3,500,361	1,205,900
Other	39,311	39,311	32,008	(7,303)
Fleet allocation	270,852	270,852	266,425	(4,427)
Maintenance allocation	2,394,638	2,394,638	2,266,041	(128,597)
Laboratory allocation	585,171	585,171	566,308	(18,863)
	<u>12,020,850</u>	<u>12,020,850</u>	<u>13,052,424</u>	<u>1,031,574</u>
<b>Wastewater pump stations</b>				
Wages	298,987	298,987	183,352	(115,635)
Benefits allocation	230,334	230,334	122,551	(107,783)
Utilities	420,742	420,742	466,325	45,583
Maintenance and supplies	148,061	148,061	105,801	(42,260)
Engineering	30,750	30,750	-	(30,750)
Depreciation	2,323	2,323	4,543	2,220
Other	393	393	550	157
	<u>1,131,590</u>	<u>1,131,590</u>	<u>883,122</u>	<u>(248,468)</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Industrial surveillance</b>				
Wages	\$ 152,488	\$ 152,488	\$ 176,160	\$ 23,672
Benefits allocation	117,474	117,474	117,744	270
Depreciation	211	211	2,057	1,846
Other	44,950	44,950	28,059	(16,891)
Fleet allocation	11,280	11,280	11,111	(169)
	<u>326,403</u>	<u>326,403</u>	<u>335,131</u>	<u>8,728</u>
<b>Transmission and distribution</b>				
Wages	1,609,978	1,609,978	1,638,398	28,420
Benefits allocation	1,240,297	1,240,297	1,095,093	(145,204)
Utilities	87,531	87,531	46,422	(41,109)
Sewer overflow settlements	205,000	205,000	113,863	(91,137)
Maintenance:				
Shop and office	28,403	28,403	27,032	(1,371)
Water and sewer mains	292,683	292,683	302,183	9,500
Engineering	-	-	-	-
Depreciation	1,605,796	1,605,796	2,450,729	844,933
Other	15,995	15,995	23,681	7,686
Fleet allocation	293,412	293,412	371,900	78,488
Maintenance allocation	19,369	19,369	36,015	16,646
	<u>5,398,464</u>	<u>5,398,464</u>	<u>6,105,316</u>	<u>706,852</u>
<b>Meter service</b>				
Wages	436,502	436,502	474,151	37,649
Benefits allocation	336,273	336,273	316,919	(19,354)
Utilities	12,457	12,457	11,896	(561)
Maintenance and supplies	11,434	11,434	12,490	1,056
Meter parts	212,688	212,688	240,325	27,637
Depreciation	9,502	9,502	372,879	363,377
Other	11,074	11,074	7,127	(3,947)
Fleet allocation	56,400	56,400	77,698	21,298
	<u>1,086,330</u>	<u>1,086,330</u>	<u>1,513,485</u>	<u>427,155</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Customer accounting/collections</b>				
Wages	\$ 366,763	\$ 366,763	\$ 363,198	\$ (3,565)
Benefits allocation	282,547	282,547	242,759	(39,788)
Utilities	19,640	19,640	32,637	12,997
Maintenance and supplies	43,070	43,070	55,173	12,103
Postage	51,500	51,500	58,949	7,449
Depreciation	12,669	12,669	36,021	23,352
Other	4,935	4,935	2,928	(2,007)
	<u>781,124</u>	<u>781,124</u>	<u>791,665</u>	<u>10,541</u>
<b>General and administrative</b>				
Wages	381,441	381,441	414,236	32,795
Benefits allocation	293,855	293,855	276,872	(16,983)
Maintenance and supplies	34,870	34,870	41,158	6,288
Engineering	28,500	28,500	73,548	45,048
Building and liability insurance	325,000	325,000	312,214	(12,786)
Legal and settlements	136,300	136,300	102,378	(33,922)
Other professional services	1,000	1,000	7,196	6,196
Depreciation	32,114	32,114	20,565	(11,549)
Other	56,950	56,950	15,308	(41,642)
Bad debt expense	4,500	4,500	11,343	6,843
Fleet allocation	28,200	28,200	27,776	(424)
Maintenance allocation	22,682	22,682	18,643	(4,039)
Human resource allocation	533,153	667,103	695,769	28,666
Accounting allocation	483,427	483,427	421,561	(61,866)
	<u>2,361,992</u>	<u>2,495,942</u>	<u>2,438,567</u>	<u>(57,375)</u>
<b>Fleet</b>				
Wages	149,922	149,922	149,730	(192)
Benefits allocation	115,497	115,497	100,078	(15,419)
Utilities	-	-	42	42
Radio maintenance	4,076	4,076	5,636	1,560
Maintenance parts and supplies	109,450	109,450	106,256	(3,194)
Gas, oil and grease	66,625	66,625	135,786	69,161
Insurance	41,000	41,000	62,430	21,430
Depreciation	180,300	180,300	205,272	24,972
Other	4,554	4,554	6,346	1,792
Allocated to various departments	(671,424)	(671,424)	(771,576)	(100,152)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Continued)**  
**Budget and Actual**  
**For the Year Ended August 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Human resources</b>				
Wages	\$ 223,122	\$ 223,122	\$ 245,714	\$ 22,592
Benefits allocation	171,889	171,889	164,233	(7,656)
Safety program	10,000	10,000	6,471	(3,529)
Travel and training	22,000	22,000	13,077	(8,923)
Legal and professional	31,000	164,950	183,102	18,152
Physicals	16,800	16,800	14,110	(2,690)
Office supplies	7,700	7,700	12,203	4,503
Depreciation	652	652	27,370	26,718
Other	49,990	49,990	29,489	(20,501)
Allocated to general and administrative	(533,153)	(667,103)	(695,769)	(28,666)
	-	-	-	-
<b>Benefits and payroll taxes</b>				
Health insurance	3,738,567	3,738,567	3,219,375	(519,192)
Life insurance	18,000	18,000	20,238	2,238
Disability insurance	79,000	79,000	68,474	(10,526)
Social security	674,500	674,500	581,661	(92,839)
Workers compensation	205,527	205,527	143,905	(61,622)
Pension contribution	968,771	968,771	1,033,998	65,227
Unemployment	10,000	10,000	16,904	6,904
Uniforms	20,625	20,625	17,787	(2,838)
Allocated to various departments	(5,714,990)	(5,714,990)	(5,102,342)	612,648
	-	-	-	-
<b>Maintenance</b>				
Wages	1,371,334	1,371,334	1,417,741	46,407
Benefits allocation	1,056,450	1,056,450	947,608	(108,842)
Office and supplies	62,401	62,401	26,720	(35,681)
Depreciation	9,725	9,725	12,067	2,342
Other	48,662	48,662	34,849	(13,813)
Allocated to various departments	(2,548,572)	(2,548,572)	(2,438,985)	109,587
	-	-	-	-

Continued...

**YPSILANTI COMMUNITY UTILITIES AUTHORITY**  
**Detailed Schedule of Operating Expenses - (Concluded)**  
**Budget and Actual**  
**For the Year Ended August 31, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<b>Laboratory</b>				
Wages	\$ 297,987	\$ 297,987	\$ 306,195	\$ 8,208
Benefits allocation	229,564	229,564	204,659	(24,905)
Maintenance and supplies	30,450	30,450	25,295	(5,155)
Contractual services	15,500	15,500	6,721	(8,779)
Depreciation	11,670	11,670	18,494	6,824
Other	-	-	4,944	4,944
Allocated to wastewater treatment	(585,171)	(585,171)	(566,308)	18,863
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Accounting</b>				
Wages	166,911	166,911	168,049	1,138
Benefits allocation	128,583	128,583	112,323	(16,260)
Office supplies	6,088	6,088	5,285	(803)
Audit and accounting services	155,800	155,800	83,749	(72,051)
Depreciation	2,295	2,295	9,833	7,538
Other	23,750	23,750	42,322	18,572
Allocated to general and administrative	(483,427)	(483,427)	(421,561)	61,866
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total operating expenses</b>	<u>\$ 29,716,010</u>	<u>\$ 29,849,960</u>	<u>\$ 32,205,461</u>	<u>\$ 2,355,501</u>



# STATISTICAL SECTION

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Operating revenue</b>				
Water sales	\$ 11,542,307	\$ 11,649,244	\$ 9,763,879	\$ 8,616,377
Sewage disposal sales	13,621,058	13,701,463	14,274,813	13,235,087
Surcharges and other usage fees	4,422,394	4,460,475	3,649,946	2,503,637
Other operating revenue	2,217,203	2,159,409	2,408,713	2,248,813
Sales discounts	-	-	(80,105)	(705,985)
Total operating revenue	<u>31,802,962</u>	<u>31,970,591</u>	<u>30,017,246</u>	<u>25,897,929</u>
<b>Operating expenses</b>				
Water distribution	7,085,751	6,930,845	5,873,120	5,282,942
Wastewater treatment	13,052,424	10,226,090	10,062,008	10,882,313
Wastewater pump stations	883,122	834,416	771,991	805,890
Industrial surveillance	335,131	375,466	174,773	146,967
Transmission and distribution	6,105,316	5,766,919	4,938,907	5,049,571
Meter service	1,513,485	1,419,979	1,147,385	1,121,564
Customer accounting and collections	791,665	720,370	680,264	651,361
General and administration	(1) 2,438,567	2,125,010	1,912,661	1,832,080
Depreciation	(2) -	-	-	-
Total operating expenses	<u>32,205,461</u>	<u>28,399,095</u>	<u>25,561,109</u>	<u>25,772,688</u>
Operating income (loss)	<u>(402,499)</u>	<u>3,571,496</u>	<u>4,456,137</u>	<u>125,241</u>
<b>Non-operating income (expense)</b>				
Investment earnings	958,973	651,753	1,181,681	21,493
Connection fees	(3) 909,761	975,348	2,145,105	1,066,491
Debt service contributions	146,476	1,004,525	206,509	211,511
Interest and amortization expense	(1,109,703)	(951,745)	(1,220,577)	(1,023,113)
Gain (loss) on disposal of capital assets	-	(75,287)	(1,969,458)	(2,833)
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	<u>905,507</u>	<u>1,604,594</u>	<u>343,260</u>	<u>273,549</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ 503,008</u>	<u>\$ 5,176,090</u>	<u>\$ 4,799,397</u>	<u>\$ 398,790</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>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
\$	8,039,879	\$ 7,910,860	\$ 7,456,993	\$ 7,024,206	\$ 6,787,909	\$ 6,600,444
	12,908,599	13,793,007	13,392,790	12,107,280	12,133,249	11,717,239
	1,891,240	1,728,426	1,748,046	1,730,655	1,632,408	1,687,246
	2,380,576	2,293,530	977,080	1,041,594	1,164,952	934,444
	(866,723)	(1,098,363)	(1,006,785)	(1,020,273)	(978,899)	(1,014,850)
	<u>24,353,571</u>	<u>24,627,460</u>	<u>22,568,124</u>	<u>20,883,462</u>	<u>20,739,619</u>	<u>19,924,523</u>
	4,894,966	4,288,716	3,988,979	3,923,990	3,578,449	3,670,779
	9,085,357	8,989,004	6,934,835	6,015,882	6,307,108	5,987,307
	928,166	822,901	836,632	799,666	862,732	801,517
	118,270	87,466	75,711	74,010	69,642	70,975
	3,665,838	3,616,432	2,064,652	2,232,299	1,750,828	1,406,236
	845,806	979,284	907,026	815,483	840,605	627,080
	523,708	453,677	445,768	368,651	366,087	287,197
	4,269,158	4,038,730	3,469,454	3,044,439	2,935,376	2,517,277
	-	-	3,861,969	3,652,293	3,442,560	3,275,956
	<u>24,331,269</u>	<u>23,276,210</u>	<u>22,585,026</u>	<u>20,926,713</u>	<u>20,153,387</u>	<u>18,644,324</u>
	22,302	1,351,250	(16,902)	(43,251)	586,232	1,280,199
	1,034,719	1,231,283	718,175	600,279	725,675	714,319
	-	-	-	-	-	-
	920,478	220,957	269,970	253,615	689,353	254,792
	(1,709,110)	(1,054,325)	(766,721)	(622,178)	(678,995)	(725,266)
	(66,461)	(465,007)	(32,884)	18,041	11,801	(86,206)
	<u>(1,214,715)</u>	<u>(1,218,710)</u>	<u>(1,226,413)</u>	<u>(1,214,461)</u>	<u>(1,203,847)</u>	<u>(1,191,971)</u>
	<u>(1,035,089)</u>	<u>(1,285,802)</u>	<u>(1,037,873)</u>	<u>(964,704)</u>	<u>(456,013)</u>	<u>(1,034,332)</u>
\$	<u>(1,012,787)</u>	\$ 65,448	\$ (1,054,775)	\$ (1,007,955)	\$ 130,219	\$ 245,867

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Operating revenue</b>				
Water sales	\$ 1,514,474	\$ 1,813,223	\$ 1,898,864	\$ 1,875,979
Sewage disposal sales	2,983,581	2,899,389	3,057,411	3,155,582
Surcharges and other usage fees	3,249,101	3,341,073	2,609,737	1,777,612
Other operating revenue	484,405	475,132	433,067	380,495
Sales discounts	-	-	2,336	(126,303)
Total operating revenue	<u>8,231,561</u>	<u>8,528,817</u>	<u>8,001,415</u>	<u>7,063,365</u>
<b>Operating expenses</b>				
Water distribution	1,035,327	985,830	939,023	926,213
Wastewater treatment	3,016,898	2,280,419	2,253,203	2,510,603
Wastewater pump stations	170,871	174,512	167,913	160,684
Industrial surveillance	77,884	83,730	38,824	33,173
Transmission and distribution	1,245,754	1,174,276	1,104,675	1,416,512
Meter service	362,019	334,123	284,106	284,344
Customer accounting and collections	189,367	169,503	169,654	167,210
General and administration (1)	554,375	460,812	402,537	440,901
Depreciation (2)	-	-	-	-
Total operating expenses	<u>6,652,495</u>	<u>5,663,205</u>	<u>5,359,935</u>	<u>5,939,640</u>
Operating income (loss)	<u>1,579,066</u>	<u>2,865,612</u>	<u>2,641,480</u>	<u>1,123,725</u>
<b>Non-operating income (expense)</b>				
Investment earnings	347,237	219,724	285,942	(12,884)
Connection fees (3)	61,780	102,504	26,102	11,406
Debt service contributions	146,476	149,273	169,161	211,511
Interest and amortization expense	(711,028)	(405,501)	(610,808)	(496,504)
Gain (loss) on disposal of capital assets	-	-	(550,816)	(1,416)
Debt service transfer to County (4)	-	-	-	-
Total non-operating income (expense)	<u>(155,535)</u>	<u>66,000</u>	<u>(680,419)</u>	<u>(287,887)</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ 1,423,531</u>	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</u>	<u>\$ 835,838</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>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
\$	1,844,292	\$ 1,796,994	\$ 1,759,201	\$ 1,694,459	\$ 1,664,645	\$ 1,715,725
	3,155,163	3,294,403	3,368,627	3,030,469	3,087,082	3,032,461
	1,362,058	1,035,565	916,656	890,329	889,841	895,035
	463,168	479,546	203,254	206,987	275,640	220,716
	(153,336)	(155,773)	(134,272)	(145,607)	(151,520)	(157,251)
	6,671,345	6,450,735	6,113,466	5,676,637	5,765,688	5,706,686
	898,123	834,882	794,632	793,275	690,779	870,885
	2,258,154	2,397,946	1,851,516	1,535,176	1,668,487	1,674,038
	215,444	221,327	224,686	203,659	228,227	224,103
	28,844	22,627	20,333	18,849	18,423	19,844
	843,346	899,403	652,277	786,806	611,780	480,976
	218,046	259,904	252,586	235,709	276,881	184,707
	138,154	122,494	124,458	106,613	108,801	84,348
	1,111,971	1,129,497	983,280	819,641	819,187	726,404
	-	-	863,522	1,022,202	981,386	964,202
	5,712,082	5,888,080	5,767,290	5,521,930	5,403,951	5,229,507
	959,263	562,655	346,176	154,707	361,737	477,179
	92,213	256,390	235,048	214,676	267,652	334,630
	-	-	-	-	-	-
	236,052	220,957	239,104	224,104	223,987	227,727
	(722,772)	(394,423)	(413,162)	(398,460)	(433,950)	(447,333)
	(16,660)	(125,087)	(7,951)	(3,777)	(1,383)	(749)
	(331,253)	(312,721)	(334,933)	(330,091)	(319,742)	(315,317)
	(742,420)	(354,884)	(281,894)	(293,548)	(263,436)	(201,042)
\$	216,843	\$ 207,771	\$ 64,282	\$ (138,841)	\$ 98,301	\$ 276,137

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

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Operating revenue</b>				
Water sales	\$ 10,027,833	\$ 9,836,021	\$ 7,865,015	\$ 6,740,398
Sewage disposal sales	10,637,477	10,802,074	11,217,402	10,079,505
Surcharges and other usage fees	1,173,293	1,119,402	1,040,209	726,025
Other operating revenue	1,732,798	1,684,277	1,975,646	1,868,318
Sales discounts	-	-	(82,441)	(579,682)
Total operating revenue	<u>23,571,401</u>	<u>23,441,774</u>	<u>22,015,831</u>	<u>18,834,564</u>
<b>Operating expenses</b>				
Water distribution	6,050,424	5,945,015	4,929,893	4,356,729
Wastewater treatment	10,035,526	7,945,671	7,825,218	8,371,710
Wastewater pump stations	712,251	659,904	604,078	645,206
Industrial surveillance	257,247	291,736	135,949	113,794
Transmission and distribution	4,859,562	4,592,643	3,826,206	3,633,059
Meter service	1,151,466	1,085,856	863,279	837,220
Customer accounting and collections	602,298	550,867	510,610	484,151
General and administration (1)	1,884,192	1,664,198	1,505,941	1,391,179
Depreciation (2)	-	-	-	-
Total operating expenses	<u>25,552,966</u>	<u>22,735,890</u>	<u>20,201,174</u>	<u>19,833,048</u>
Operating income (loss)	<u>(1,981,565)</u>	<u>705,884</u>	<u>1,814,657</u>	<u>(998,484)</u>
<b>Non-operating income (expense)</b>				
Investment earnings	611,736	432,029	895,739	34,377
Connection fees (3)	847,981	872,844	2,119,003	1,055,085
Debt service contributions	-	855,252	37,348	-
Interest and amortization expense	(398,675)	(546,244)	(609,769)	(526,609)
Gain (loss) on disposal of capital assets	-	(75,287)	(1,418,642)	(1,417)
Debt service transfer to County (4)	-	-	-	-
Total non-operating income (expense)	<u>1,061,042</u>	<u>1,538,594</u>	<u>1,023,679</u>	<u>561,436</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ (920,523)</u>	<u>\$ 2,244,478</u>	<u>\$ 2,838,336</u>	<u>\$ (437,048)</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>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>
\$	6,195,587	\$ 6,113,866	\$ 5,697,792	\$ 5,329,747	\$ 5,123,264	\$ 4,884,719
	9,753,436	10,498,604	10,024,163	9,076,811	9,046,167	8,684,778
	529,182	692,861	831,390	840,326	742,567	792,211
	1,917,408	1,813,984	773,826	834,607	889,312	713,728
	(713,387)	(942,590)	(872,513)	(874,666)	(827,379)	(857,599)
	17,682,226	18,176,725	16,454,658	15,206,825	14,973,931	14,217,837
	3,996,843	3,453,834	3,194,347	3,130,715	2,887,670	2,799,894
	6,827,203	6,591,058	5,083,319	4,480,706	4,638,621	4,313,269
	712,722	601,574	611,946	596,007	634,505	577,414
	89,426	64,839	55,378	55,161	51,219	51,131
	2,822,492	2,717,029	1,412,375	1,445,493	1,139,048	925,260
	627,760	719,380	654,440	579,774	563,724	442,373
	385,554	331,183	321,310	262,038	257,286	202,849
	3,157,187	2,909,233	2,486,174	2,224,798	2,116,189	1,790,873
	-	-	2,998,447	2,630,091	2,461,174	2,311,754
	18,619,187	17,388,130	16,817,736	15,404,783	14,749,436	13,414,817
	(936,961)	788,595	(363,078)	(197,958)	224,495	803,020
	942,506	974,893	483,127	385,603	458,023	379,689
	-	-	-	-	-	-
	684,426	-	30,866	29,511	465,366	27,065
	(986,338)	(659,902)	(353,559)	(223,718)	(245,045)	(277,933)
	(49,801)	(339,920)	(24,933)	21,818	13,184	(85,457)
	(883,462)	(905,989)	(891,480)	(884,370)	(884,105)	(876,654)
	(292,669)	(930,918)	(755,979)	(671,156)	(192,577)	(833,290)
\$	(1,229,630)	\$ (142,323)	\$ (1,119,057)	\$ (869,114)	\$ 31,918	\$ (30,270)

**Table 4**

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

Fiscal Year	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2006	\$33,818,172	\$25,512,868	\$ 8,305,304	\$ 6,534,757	1.27
2005	34,602,217	23,178,366	11,423,851	6,108,306	1.87
2004	33,550,541	21,058,612	12,491,929	5,252,872	2.38
2003	27,197,424	21,476,377	5,721,047	4,689,848	1.22
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

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

(2) Excludes depreciation expense.

(3) Includes bonds and capital leases.