

Ypsilanti Community Utilities Authority

Environmental Leaders



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended August 31, 2008



YPSILANTI COMMUNITY UTILITIES AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2008

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INTRODUCTORY SECTION



January 20, 2009

**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, 2008.

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, 2008 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, 2008 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 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 resulted in a request by 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 2008. While the plant is now operating with the 45.9 MGD capacity, final closeout of the project has not been completed. The expanded capacity is for the WTUA, which 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 those 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. Of the 45.9 MGD of total capacity, WTUA now has rights to use up to 54% of the total plant capacity. Other projects currently under construction include M-17 water main replacement, City Housing water main replacement, Holmes Road water main replacement, various pump station upgrades, and improvements to the wastewater plant site.

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

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, 2007 (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, 2008, there were 58 retired employees receiving these benefits, which have been financed on a pay-as-you-go basis. Prior to the implementation of GASB 45 in fiscal 2009, the Authority is not required 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

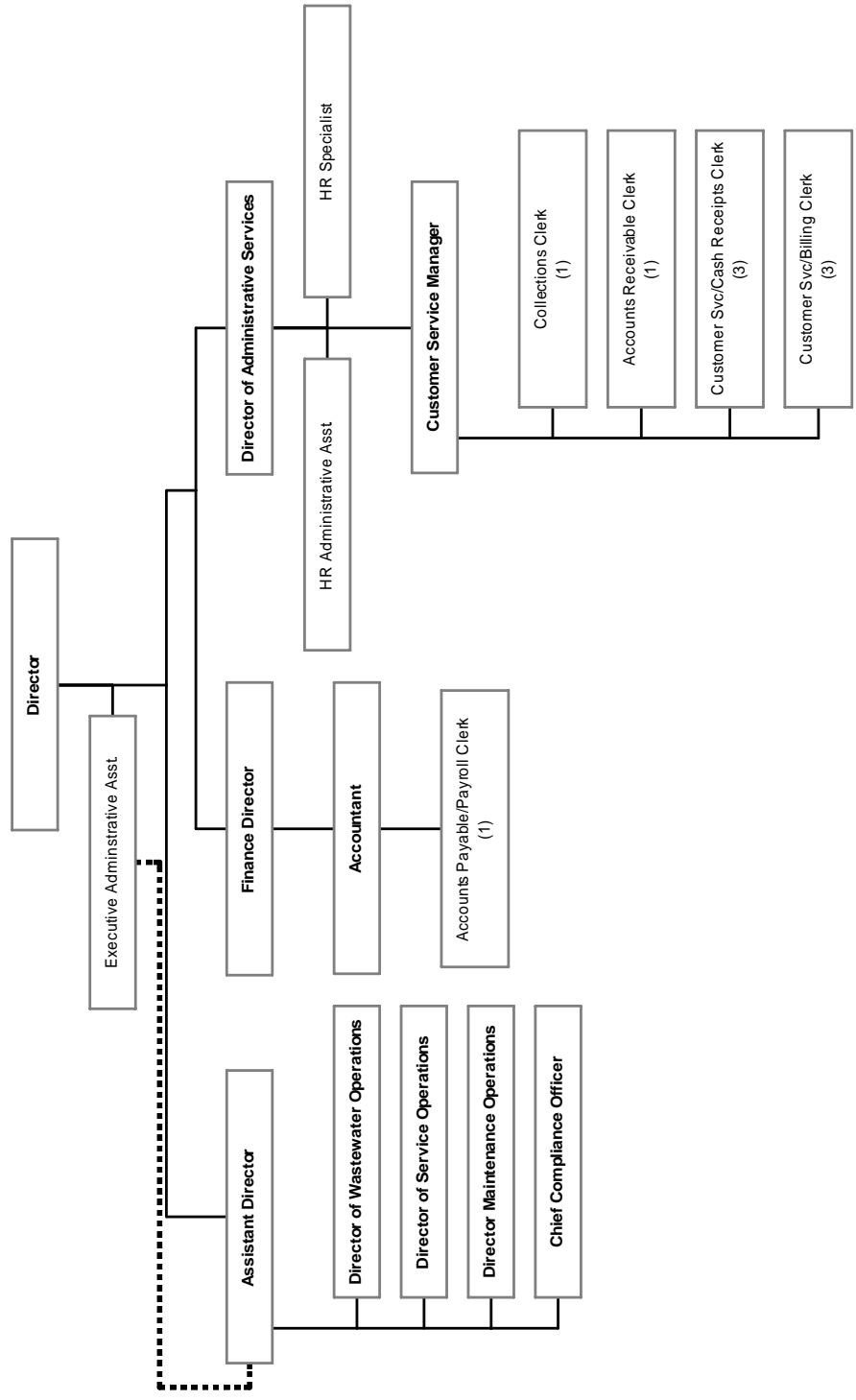
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this 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 Effective 8/31/2007



Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

January 20, 2009

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, 2008 and 2007, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2008 and 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2009, on our consideration of the Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the 2008 financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the 2008 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, 2008. 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 \$202,807,380 (*net assets*). Of this amount, \$10,334,112 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets decreased by \$3,233,666.
- The Authority's total long-term debt (i.e., bonds and capital leases) decreased by \$113,470 during the current fiscal year; new debt was incurred during the year as described in detail in Note 3-E of this report.

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 \$202,807,380 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (88.7 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

	2008	2007
Current and other assets	\$ 19,053,198	\$ 21,744,801
Restricted assets	12,552,820	12,234,292
Capital assets	248,659,950	250,475,500
Total assets	280,265,968	284,454,593
Long-term liabilities outstanding	71,266,389	71,177,529
Other liabilities	6,192,199	7,236,018
Total liabilities	77,458,588	78,413,547
Net assets:		
Invested in capital assets, net of related debt	179,920,448	181,747,928
Restricted	12,552,820	12,234,292
Unrestricted	10,334,112	12,058,826
Total net assets	\$202,807,380	\$206,041,046

The Authority's net assets decreased by \$3,233,666 during the current fiscal year. Key elements of this decrease include:

- Capital contributions of \$2.2 million were made to the Authority.
- Water sales decreased by \$0.3 million (or 2.7 percent) due to a 4.7 percent decrease in consumption, but as partially offset by rate increases. Corresponding direct costs for water distribution decreased by \$122,128 (or 1.0 percent). An increase in Detroit water rates was compensated by a decrease in usage.
- Sewage disposal sales decreased slightly by \$58,000 (or 0.4 percent) due to decrease of 3.5% in residential usage and an increase of 3.0% in rates for residential customers; direct costs for wastewater treatment increased \$0.8 million (or 4.7 percent) due to cost increases for sludge removal (\$0.4 million), professional services (\$0.2 million) and treatment costs (\$0.2 million). Total wastewater generated by the City and Township was flat of which the largest component was wastewater treated for WTUA (Western Townships Utility Authority) which increased 2.9 percent.
- Total operating expenses increased by \$.9 million (or 2.1 percent) primarily reflecting the \$.8 million increase (or 2.4 percent) in wastewater treatment costs.

- The city division increased sewer rates 3.0 percent and water rates 5.14 percent; the surcharge remained unchanged at 80.0 percent. These rates all became effective November 1, 2007.
- The township division sewer rates increased 3.0 percent and water rates 5.14 percent. The sewer and water rate increase became effective September 1, 2007. The surcharge rate remained unchanged at 5.0 percent.

YCUA's Changes in Net Assets

	2008	2007
Operating revenue	\$ 34,394,061	\$ 35,857,683
Expenses:		
Water division	13,223,394	13,319,522
Wastewater division	24,962,815	23,944,048
Total expenses	38,186,209	37,263,570
Operating income (loss)	(3,792,148)	(1,405,887)
Nonoperating expense	(1,596,490)	(803,786)
Net income (loss)	(5,388,638)	(2,209,673)
Capital contributions	2,198,857	4,838,532
Special item	(43,885)	(530,061)
Change in net assets	(3,233,666)	2,098,798
Net assets - beginning	206,041,046	203,942,248
Net assets - end of year	\$202,807,380	\$206,041,046

Capital Asset and Debt Administration

Capital assets. YCUA's investment in capital assets as of August 31, 2008 amounted to \$248.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants, transmission lines, vehicles and other equipment. Total net capital assets decreased by \$1.8 million or 0.7 percent. The vast majority of the increase is attributable to water and wastewater system improvements.

YCUA's Capital Assets (net of depreciation)

	<u>2008</u>	<u>2007</u>
Land	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,200,614	1,255,014
Wastewater treatment plant	127,999,487	134,083,152
Water and wastewater systems	106,434,365	104,908,433
Vehicles	1,047,706	1,014,583
Equipment	1,112,217	1,364,614
Construction in process	9,566,857	6,551,000
Total	<u>\$248,659,950</u>	<u>\$250,475,500</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 \$71,414,255 of long-term debt including limited tax obligation bonds, revenue bonds, capital leases and other obligations as summarized below.

YCUA's Outstanding Debt

	<u>2008</u>	<u>2007</u>
Limited tax obligation bonds	\$ 35,503,307	\$ 33,933,405
Revenue bonds	34,555,000	36,055,000
Capital leases	205,948	389,320
Environmental liability	1,150,000	1,150,000
Total	<u>\$ 71,414,255</u>	<u>\$ 71,527,725</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 2009. 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 2008. Inflation in the local labor markets will remain moderate, whereas inflation in utility 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 2009 is approximately \$42 million; key provisions include:

- An increase of 1.2 percent in budgeted operating revenue, attributable to a conservative consumption forecast due to further anticipated economic slowdowns of our manufacturing customers.
- A small net increase of 0.2 percent in operating expenses due to increasing costs for labor related costs, chemicals, and utilities.

The capital budget for fiscal 2009 totals approximately \$19.3 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 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 2009, about 0.7 miles of water main replacement and approximately 1.5 miles of sanitary sewer lining in the City and Township are scheduled for replacement.

- Sewer improvements include installing a by-pass provision around a pumping station, a \$1 million improvement in a major sewage pumping station, and approximately 2 miles of cured-in-place sewer rehabilitation.
- The city division increased sewer rates 3.5 percent and left water rates unchanged; the surcharge decreased to 78.0 percent. These rates all became effective November 13, 2008.
- The township division sewer rates increased 3.5 percent and water rates remained unchanged. The water rate increase became effective September 1, 2008. The surcharge rate remained unchanged at 5.0 percent.

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,	
	2008	2007
Assets		
Current assets:		
Cash and investments	\$ 9,403,698	\$ 11,921,072
Receivables, net	6,725,753	6,891,615
Inventories	1,084,019	1,003,975
Prepaid items	85,762	84,715
Total current assets	17,299,232	19,901,377
Noncurrent assets:		
Restricted assets:		
Cash and investments	9,824,348	9,669,963
Bond reserve funds held by City of Ypsilanti	2,728,472	2,564,329
Receivables, long-term portion	501,635	556,933
Capital assets not being depreciated	10,865,561	7,849,704
Capital assets being depreciated, net	237,794,389	242,625,796
Unamortized bond issuance costs	1,252,331	1,286,491
Total noncurrent assets	262,966,736	264,553,216
Total assets	280,265,968	284,454,593
Liabilities		
Current liabilities:		
Accounts payable	2,304,944	3,058,639
Retentions, deposits and other liabilities	3,307,916	3,584,689
Accrued interest payable	579,339	592,690
Current maturities of long-term liabilities	2,840,948	2,633,372
Current maturities of accrued compensated absences	688,444	649,979
Total current liabilities	9,721,591	10,519,369
Long-term liabilities:		
Bonds payable	66,698,554	66,688,252
Capital leases payable	-	205,948
Environmental liability	350,000	350,000
Accrued compensated absences	688,443	649,978
Total long-term liabilities	67,736,997	67,894,178
Total liabilities	77,458,588	78,413,547
Net assets		
Invested in capital assets, net of related debt	179,920,448	181,747,928
Restricted for special purposes	12,552,820	12,234,292
Unrestricted	10,334,112	12,058,826
Total net assets	\$ 202,807,380	\$ 206,041,046

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

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

	For the Year Ended August 31,	
	2008	2007
Operating revenue		
Water sales	\$ 12,338,209	\$ 12,680,932
Sewage disposal sales	16,422,599	16,480,689
Surcharges and other usage fees:		
Capital improvement surcharge	3,644,547	3,635,521
Construction reserve	325,807	340,414
Environmental reserve	100,495	144,171
Capital cost recovery	-	75,805
Other operating revenue	1,562,404	2,500,151
Total operating revenue	<u>34,394,061</u>	<u>35,857,683</u>
Operating expenses		
Water distribution	7,527,032	7,486,176
Wastewater treatment	17,771,780	16,977,585
Wastewater pump stations	1,145,548	1,054,513
Industrial surveillance	336,782	335,299
Transmission and distribution	6,627,636	6,630,235
Meter service	1,436,719	1,518,009
Customer accounting and collections	872,717	837,640
General and administration	2,467,995	2,424,113
Total operating expenses	<u>38,186,209</u>	<u>37,263,570</u>
Operating income (loss)	<u>(3,792,148)</u>	<u>(1,405,887)</u>
Nonoperating income (expense)		
Investment earnings	998,650	1,595,219
Connection fees	155,860	265,589
Debt service contribution	-	63,007
Interest and amortization expense	(2,783,337)	(2,747,453)
Gain on disposal of capital assets	32,337	19,852
Total nonoperating income (expense)	<u>(1,596,490)</u>	<u>(803,786)</u>
Loss before contributions and special item	(5,388,638)	(2,209,673)
Capital contributions	2,198,857	4,838,532
Special item	<u>(43,885)</u>	<u>(530,061)</u>
Change in net assets	(3,233,666)	2,098,798
Net assets, beginning of year	<u>206,041,046</u>	<u>203,942,248</u>
Net assets, end of year	<u>\$ 202,807,380</u>	<u>\$ 206,041,046</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Statements of Cash Flows

	For the Year Ended August 31,	
	2008	2007
Cash flows from operating activities		
Receipts from customers and users	\$ 34,403,767	\$ 34,561,183
Payments to suppliers	(15,282,531)	(13,227,969)
Payments to employees and employee benefits	(13,475,265)	(13,100,714)
	5,645,971	8,232,500
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	2,669,902	25,592,906
Payments to refunding bond escrow agents	-	(22,461,376)
Payment of bond issuance costs	(42,704)	(600,855)
Payment of original issuance discount on bonds	-	(220,404)
Bond reserve funds deposited with the City of Ypsilanti	(164,143)	(138,385)
Acquisition and construction of capital assets	(6,248,394)	(7,924,052)
Proceeds from sale or disposal of capital assets	34,360	20,613
Payments for special item	(43,885)	(530,061)
Principal payments on long-term debt	(2,783,372)	(3,046,517)
Interest payments on long-term debt	(2,585,435)	(2,718,725)
Receipts for debt service costs	-	63,007
Receipts from capital contributions	-	803,443
Receipts from connection fees	155,860	265,589
	(9,007,811)	(10,894,817)
Cash flows from investing activities		
Earnings received on investments	998,851	1,596,608
	(2,362,989)	(1,065,709)
Net increase (decrease) in cash and investments		
Cash and investments, beginning of year	21,591,035	22,656,744
Cash and investments, end of year	\$ 19,228,046	\$ 21,591,035
Reconciliation to statements of net assets		
Cash and investments	\$ 9,403,698	\$ 11,921,072
Restricted cash and investments	9,824,348	9,669,963
Total cash and investments	\$ 19,228,046	\$ 21,591,035

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Statements of Cash Flows (Concluded)

	For the Year Ended August 31,	
	2008	2007
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (3,792,148)	\$ (1,405,887)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	10,260,778	10,329,205
Amortization of bond issuance costs, discounts and deferred loss on refunding	202,264	161,320
Changes in current assets and liabilities:		
Receivables	9,706	(1,296,500)
Inventories	(80,044)	(133,712)
Prepaid items	(1,047)	(23,215)
Accounts payable	(753,695)	(137,086)
Retentions, deposits and other liabilities	(276,773)	669,446
Accrued compensated absences	76,930	68,929
	\$ 5,645,971	\$ 8,232,500
Net cash provided by operating activities		
	\$ 5,645,971	\$ 8,232,500
Non-cash items		
Capital contributions from developers	\$ 2,198,857	\$ 4,371,877
	\$ 2,198,857	\$ 4,371,877

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

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

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 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 and/or WTUA's contractual share of operating and maintenance costs based on an annual lookback analysis. (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

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, 2008 and 2007, net interest costs of \$-0- and \$104,705, 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

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 of Trustees 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>2008</u>	<u>2007</u>
Statement of Net Assets:		
Cash and investments	\$ 9,403,698	\$ 11,921,072
Restricted cash and investments	<u>9,824,348</u>	<u>9,669,963</u>
Total	<u>\$ 19,228,046</u>	<u>\$ 21,591,035</u>
Deposits and Investments:		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 10,870,658	\$ 14,190,451
Investments in securities and money market accounts	8,356,538	7,399,734
Cash on hand	<u>850</u>	<u>850</u>
Total	<u>\$ 19,228,046</u>	<u>\$ 21,591,035</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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, 2008, \$11,266,985 of the Authority's total bank balance of \$11,966,985 (total book balance was \$10,870,658) was exposed to custodial credit risk as it was uninsured and uncollateralized. As of August 31, 2007, \$13,221,551 of the Authority's total bank balance of \$13,921,551 (total book balance was \$14,190,451) 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>2008</u>	<u>2007</u>
Money market accounts	<u>\$ 8,356,538</u>	<u>\$ 7,399,734</u>

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, 2008 and 2007, all of the Authority's investments were held in money market accounts, which are not subject to custodial credit risk.

Credit Risk. The Authority held investments in money market accounts, which are not rated. All of the Authority's investments comply with its policy regarding the types of investments it may hold.

Interest Rate Risk. The Authority's policy is that funds be invested in securities whose maturities do not exceed two years at the time of purchase, except that debt retirement, motor pool and capital funds may be invested for longer periods provided the maturity dates match anticipated cash needs. The Authority's investments comply with this policy.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-B. Receivables

Receivables as of August 31 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Accounts	\$ 6,494,507	\$ 6,554,153
Due from Western Townships Utility Authority	131,818	211,253
Accrued investment interest	6,113	6,314
Benefit charges	67,880	83,779
Special assessments	516,820	553,919
Note	<u>10,250</u>	<u>39,130</u>
	7,227,388	7,448,548
Less long-term portion of benefit charges, special assessments and note	<u>(501,635)</u>	<u>(556,933)</u>
	<u>\$ 6,725,753</u>	<u>\$ 6,891,615</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>2008</u>	<u>2007</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))	1,488,760	1,520,200
WWTP future construction reserve (WWTP construction agreement, as amended)	981,131	942,860
Flexible spending account (IRS regulatory requirement)	2,915	575
City construction reserve surcharge (Ordinance No. 697, section 2.137)	1,008,592	1,125,077
City debt retirement and capital improvements surcharge (Ordinance No. 696, amended by Ordinance No. 959)	441,142	824,913
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,126,634	899,221
EPA replacement reserve (EPA regulatory requirements)	2,502,981	2,132,885
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,657,816	1,539,551
WTUA construction trust account (WTUA wastewater disposal agreement, as amended)	51,698	63,945
Construction project bond/capital lease proceeds (Bond ordinances)	262,679	320,736
	<u>\$ 9,824,348</u>	<u>\$ 9,669,963</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-D. Capital Assets

Capital assets activity for the year ended August 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	6,551,000	5,387,989	(2,372,132)	9,566,857
Total capital assets not being depreciated	<u>7,849,704</u>	<u>5,387,989</u>	<u>(2,372,132)</u>	<u>10,865,561</u>
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	177,997,271	321,390	-	178,318,661
Water and wastewater systems	149,209,163	4,656,734	-	153,865,897
Vehicles	2,994,175	275,003	(10,586)	3,258,592
Equipment	4,838,592	178,267	(16,183)	5,000,676
Total capital assets being depreciated	<u>337,209,124</u>	<u>5,431,394</u>	<u>(26,769)</u>	<u>342,613,749</u>
Less accumulated depreciation for:				
Buildings and improvements	914,909	54,400	-	969,309
Wastewater treatment plant	43,914,119	6,405,055	-	50,319,174
Water and wastewater systems	44,300,730	3,130,802	-	47,431,532
Vehicles	1,979,592	241,880	(10,586)	2,210,886
Equipment	3,473,978	428,641	(14,160)	3,888,459
Total accumulated depreciation	<u>94,583,328</u>	<u>10,260,778</u>	<u>(24,746)</u>	<u>104,819,360</u>
Total capital assets being depreciated, net	<u>242,625,796</u>	<u>(4,829,384)</u>	<u>(2,023)</u>	<u>237,794,389</u>
Total capital assets, net	<u>\$250,475,500</u>	<u>\$ 558,605</u>	<u>\$ (2,374,155)</u>	<u>\$248,659,950</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Capital assets activity for the year ended August 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	1,045,664	7,075,757	(1,570,421)	6,551,000
Total capital assets not being depreciated	<u>2,344,368</u>	<u>7,075,757</u>	<u>(1,570,421)</u>	<u>7,849,704</u>
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	177,376,632	620,639	-	177,997,271
Water and wastewater systems	143,622,152	5,587,011	-	149,209,163
Vehicles	2,910,195	314,020	(230,040)	2,994,175
Equipment	4,464,964	373,628	-	4,838,592
Total capital assets being depreciated	<u>330,543,866</u>	<u>6,895,298</u>	<u>(230,040)</u>	<u>337,209,124</u>
Less accumulated depreciation for:				
Buildings and improvements	860,510	54,399	-	914,909
Wastewater treatment plant	37,490,971	6,423,148	-	43,914,119
Water and wastewater systems	41,199,842	3,100,888	-	44,300,730
Vehicles	1,967,758	241,113	(229,279)	1,979,592
Equipment	2,964,321	509,657	-	3,473,978
Total accumulated depreciation	<u>84,483,402</u>	<u>10,329,205</u>	<u>(229,279)</u>	<u>94,583,328</u>
Total capital assets being depreciated, net	<u>246,060,464</u>	<u>(3,433,907)</u>	<u>(761)</u>	<u>242,625,796</u>
Total capital assets, net	<u>\$ 248,404,832</u>	<u>\$ 3,641,850</u>	<u>\$ (1,571,182)</u>	<u>\$ 250,475,500</u>

The Authority has active construction projects as of August 31, 2008. The primary projects include M-17 water main replacement, City Housing water main replacement, Holmes road water main replacement, various pump station upgrades, and improvements to the wastewater plant site.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-E. Long-term Debt

Limited tax general 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, 2008 was \$37,408,677.

During fiscal 2008 and 2007, the cash draws against the Drinking Water Revolving Fund bonds amounted to \$2,669,902 and \$763,923, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues is \$12,378,677; of this total, \$1,148,749 (is still available as of August 31, 2008 and expected to be drawn.

No new or refunding bonds were issued during fiscal 2008. During fiscal 2007, the Authority issued \$6,800,000 of general obligation bonds to provide resources to refund \$1,010,000 of 1999 sewer system bonds and \$5,455,000 of 2001 sewer system bonds; the Authority also issued \$7,705,000 of general obligation bonds to refund \$5,715,000 of 2002 sewer system bonds and provide \$1,500,000 of new project monies.

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>
2008							
1998 water (DWRF)	Twp	2.50%	\$ 2,197,056	\$ -	\$ (205,000)	\$ 1,992,056	\$ 210,000
1999 water (DWRF)	City	2.50%	665,000	-	(45,000)	620,000	45,000
1999 sewer	Twp	4.90%	65,000	-	(65,000)	-	-
2000 sewer	Twp	5.00-5.10%	2,055,000	-	(100,000)	1,955,000	105,000
2001 sewer	Twp	4.875%	950,000	-	(140,000)	810,000	145,000
2002 sewer	Twp	3.25-5.00%	8,235,000	-	(260,000)	7,975,000	275,000
2003 water	Twp	3.00-4.35%	1,735,000	-	(65,000)	1,670,000	70,000
2003 water (DWRF)	Twp	2.50%	2,762,426	-	(140,000)	2,622,426	145,000
2006 refunding	Twp	3.75-4.125%	6,800,000	-	-	6,800,000	100,000
2007 water / refunding	Twp	4.00-4.10%	7,705,000	-	(75,000)	7,630,000	80,000
2007 water (DWRF)	City	2.125%	82,500	216,202	(5,000)	293,702	10,000
2007 water (DWRF)	Twp	2.125%	681,423	1,373,652	-	2,055,075	85,000
2008 water (DWRF)	Twp	2.50%	-	748,928	-	748,928	-
2008 water (DWRF)	City	2.50%	-	331,120	-	331,120	-
			<u>\$ 33,933,405</u>	<u>\$ 2,669,902</u>	<u>\$ (1,100,000)</u>	<u>\$ 35,503,307</u>	<u>\$ 1,270,000</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2007							
1998 water (DWRF)	Twp	2.50%	\$ 2,397,056	\$ -	\$ (200,000)	\$ 2,197,056	\$ 205,000
1999 water (DWRF)	City	2.50%	710,000	-	(45,000)	665,000	45,000
1999 sewer	Twp	4.90%	1,135,000	-	(1,070,000)	65,000	65,000
2000 sewer	Twp	5.00-5.10%	2,150,000	-	(95,000)	2,055,000	100,000
2001 sewer	Twp	4.875%	6,535,000	-	(5,585,000)	950,000	140,000
2002 sewer	Twp	3.25-5.00%	14,195,000	-	(5,960,000)	8,235,000	260,000
2003 water	Twp	3.00-4.35%	1,795,000	-	(60,000)	1,735,000	65,000
2003 water (DWRF)	Twp	2.50%	2,928,726	-	(166,300)	2,762,426	140,000
2006 refunding	Twp	3.75-4.125%	-	6,800,000	-	6,800,000	-
2007 water / refunding	Twp	4.00-4.10%	-	7,705,000	-	7,705,000	75,000
2007 water (DWRF)	City	2.125%	-	82,500	-	82,500	5,000
2007 water (DWRF)	Twp	2.125%	-	681,423	-	681,423	-
			\$ 31,845,782	\$ 15,268,923	\$ (13,181,300)	\$ 33,933,405	\$ 1,100,000

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

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,270,000	\$ 1,323,060
2010	1,380,000	1,299,580
2011	1,435,000	1,272,997
2012	1,490,000	1,223,304
2013	1,545,000	1,170,727
2014-2018	8,327,056	4,999,434
2019-2023	8,340,000	3,422,528
2024-2028	7,553,777	1,855,327
2029-2032	<u>4,995,000</u>	<u>480,829</u>
	36,335,833	<u>\$17,047,786</u>
Less available to draw on 2008 projects	<u>832,526</u>	
	<u>\$35,503,307</u>	

For purposes of presenting the above maturities, the debt amortization schedules for the 2008 projects present the maturities based only on the total authorized debt whereas the debt amortization schedules for the 2007 projects provide maturities based on the draws through August 31, 2008 against the total authorized debt.

Revenue bonds. The Authority, in conjunction with the 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, 2008 was \$39,560,000.

During fiscal 2008 and 2007, cash draws against previously issued bonds amounted to \$-0- and \$428,983, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$16,615,000, all of which had been drawn as of August 31, 2007.

No new or refunding bonds were issued during fiscal 2008. During fiscal 2007, the Authority issued \$9,895,000 of revenue refunding bonds to refund \$2,720,000 of 2001 water and sewer revenue bonds, \$3,460,000 of 2002A water and sewer revenue bonds and \$3,115,000 of 2002C water and sewer revenue bonds.

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>
<u>2008</u>							
2001 water and sewer	City	4.25-4.875%	\$ 1,145,000	\$ -	\$ (35,000)	\$ 1,110,000	\$ -
2002A water and sewer	City	4.00-5.00%	1,355,000	-	(45,000)	1,310,000	-
2002B water (DWRf)	City	2.50%	400,000	-	(20,000)	380,000	25,000
2002C water and sewer	City	4.00-4.75%	4,535,000	-	(230,000)	4,305,000	-
2003A water and sewer	City	3.00-4.10%	3,605,000	-	(525,000)	3,080,000	-
2003B water and sewer	City	3.50-4.25%	1,420,000	-	(30,000)	1,390,000	-
2003C water (DWRf)	City	2.50%	695,000	-	(35,000)	660,000	35,000
2003D water (DWRf)	City	2.50%	4,665,000	-	(225,000)	4,440,000	230,000
2004A water and sewer	City	3.30-4.55%	2,525,000	-	(60,000)	2,465,000	-
2004B water (DWRf)	City	2.125%	5,815,000	-	(270,000)	5,545,000	275,000
2006 refunding	City	3.75-4.125%	9,895,000	-	(25,000)	9,870,000	-
			<u>\$ 36,055,000</u>	<u>\$ -</u>	<u>\$ (1,500,000)</u>	<u>\$ 34,555,000</u>	<u>\$ 565,000</u>
<u>2007</u>							
2001 water and sewer	City	4.25-4.875%	\$ 3,895,000	\$ -	\$ (2,750,000)	\$ 1,145,000	\$ -
2002A water and sewer	City	4.00-5.00%	4,855,000	-	(3,500,000)	1,355,000	-
2002B water (DWRf)	City	2.50%	420,000	-	(20,000)	400,000	20,000
2002C water and sewer	City	4.00-4.75%	7,870,000	-	(3,335,000)	4,535,000	-
2003A water and sewer	City	3.00-4.10%	4,115,000	-	(510,000)	3,605,000	-
2003B water and sewer	City	3.50-4.25%	1,445,255	4,745	(30,000)	1,420,000	-
2003C water (DWRf)	City	2.50%	725,000	-	(30,000)	695,000	35,000
2003D water (DWRf)	City	2.50%	4,872,507	12,493	(220,000)	4,665,000	225,000
2004A water and sewer	City	3.30-4.55%	2,173,255	411,745	(60,000)	2,525,000	-
2004B water (DWRf)	City	2.125%	6,075,000	-	(260,000)	5,815,000	270,000
2006 refunding	City	3.75-4.125%	-	9,895,000	-	9,895,000	-
			<u>\$ 36,446,017</u>	<u>\$10,323,983</u>	<u>\$ (10,715,000)</u>	<u>\$ 36,055,000</u>	<u>\$ 550,000</u>

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

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>
2009	\$ 565,000	\$ 1,229,224
2010	1,560,000	1,182,732
2011	1,610,000	1,133,420
2012	1,660,000	1,080,845
2013	1,725,000	1,024,887
2014-2018	8,980,000	4,195,531
2019-2023	10,275,000	2,507,019
2024-2028	8,180,000	733,148
	<u>\$34,555,000</u>	<u>\$13,086,806</u>

Capital leases. The Authority has entered into agreements for the acquisition of a building and the construction of certain system expansions/improvements that constitute capital leases under Financial Accounting Standards Board Statements No. 13. The building capital lease is an agreement between the Authority and the Township, which matures during fiscal 2009. The 1994 and 1999 sewer system capital leases represented limited tax obligation bonds issued by Washtenaw for which income derived from the capital assets was pledged to pay debt service. Each of these bonds matured during fiscal 2007; as such, title to the assets vest with the Authority. The original amount of capital lease obligations entered into in prior years for the issue outstanding as of August 31, 2008 was \$2,103,163. No new capital leases were entered into during fiscal 2008 or 2007.

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>
<u>2008</u>							
Building	n/a	10.70%	\$ 389,320	\$ -	\$ (183,372)	\$ 205,948	\$ 205,948
<u>2007</u>							
Building	n/a	10.70%	\$ 554,537	\$ -	\$ (165,217)	\$ 389,320	\$ 183,372
1994 sewer	County	5.10%	280,000	-	(280,000)	-	-
1999 sewer	County	4.20%	180,000	-	(180,000)	-	-
			<u>\$ 1,014,537</u>	<u>\$ -</u>	<u>\$ (625,217)</u>	<u>\$ 389,320</u>	<u>\$ 183,372</u>

Capital leases, totaling \$205,948 plus interest of \$14,052, mature during fiscal 2009.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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

In fiscal 1995, the named PRP's entered into an agreement to fund the cost of the clean up. Based on this agreement, the Authority recorded a liability totaling \$1,150,000 and 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, 2008, 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, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$33,933,405	\$ 2,669,902	\$ (1,100,000)	\$35,503,307	\$ 1,270,000
Revenue bonds	36,055,000	-	(1,500,000)	34,555,000	565,000
Capital leases	389,320	-	(183,372)	205,948	205,948
Environmental liability	1,150,000	-	-	1,150,000	800,000
Compensated absences	1,299,957	1,018,448	(941,518)	1,376,887	688,444
	<u>72,827,682</u>	<u>3,688,350</u>	<u>(3,724,890)</u>	<u>72,791,142</u>	<u>3,529,392</u>
Deduct deferred amounts for:					
Issuance discounts	(597,073)	-	32,173	(564,900)	-
Deferred loss on refunding	(1,053,080)	-	93,227	(959,853)	-
	<u>\$71,177,529</u>	<u>\$ 3,688,350</u>	<u>\$ (3,599,490)</u>	<u>\$71,266,389</u>	<u>\$ 3,529,392</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-F. Capital Contributions

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

	<u>2008</u>	<u>2007</u>
Western Townships Utility Authority	\$ 35,110	\$ 466,655
Private developers	2,149,702	4,278,279
City of Ypsilanti	<u>14,045</u>	<u>93,598</u>
	<u><u>\$ 2,198,857</u></u>	<u><u>\$ 4,838,532</u></u>

3-G. Special Item

During the year ended August 31, 2008, the Authority concluded 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 total project cost was estimated at \$650,000 of which \$43,885 was spent during the current year and \$568,735 the prior two fiscal years. 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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.

Additionally, the Authority has filed for arbitration relative to its contract with WTUA, and WTUA has filed related counterclaims. At issue is whether the Authority's contributions to a retiree health care benefits trust (*see Note 4-C*) are operating costs that should be shared by WTUA under its contract with the Authority. The Authority contends that they are and intends to vigorously pursue this matter. Although the outcome of the arbitration is not presently determinable, it is the opinion of the Authority's counsel that the resolution of this matter will not have a material adverse effect on the financial condition of the Authority.

4-C. Postemployment Benefits

The Authority provides certain health care benefits to all full-time employees upon retirement, in accordance with the applicable labor agreements. These benefits are integrated with Medicare to provide benefits comparable to those received at date of retirement for the employee's life. For the year ended August 31, 2008, 58 retirees received benefits at a cost to the Authority of \$843,755; for the prior year, 57 retirees received benefits at a cost to the Authority of \$821,799.

The Authority has a retiree health care plan trust through the Municipal Employees Retirement System of Michigan (MERS). For the year ended August 31, 2008, the Authority made a contribution to the trust of \$1,156,245 (\$2,000,000 budgeted less actual benefits paid of \$843,755); for the year ended August 31, 2007 a contribution of \$1,178,201 (\$2,000,000 budgeted less actual benefits paid of \$821,799) was made.

In conjunction with establishing the trust, the Authority also commissioned the preparation of an actuarial valuation of the plan as of August 31, 2005, although the Authority has determined that it will not 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 to do so 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 contributions made during the years ended August 31, 2008 and 2007 (including the pay-as-you-go amounts) were approximately 85.5% and 89.4%, respectively, 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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 overall rate is 14.42% of annual covered payroll. The Authority's AFSCME unionized employees are required to contribute 1.0% of their annual covered payroll to the plan, whereas non-union and Teamster unionized employees are required to contribute 2.0%. The Authority's contribution requirements 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.

For the year ended August 31, 2008, the Authority's annual pension cost of \$1,146,712 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2007 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 4.5% 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, 2007, 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>
2006	\$ 1,039,502	100%	\$ -
2007	1,155,082	100	-
2008	1,146,712	100	-

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) Entry Age</u>	(b-a) <u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	(c) <u>Covered Payroll</u>	((b-a)/c) <u>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%
12/31/06	24,848,546	35,783,703	10,935,157	69%	7,803,193	140%
12/31/07	26,567,938	37,824,856	11,256,918	70%	7,954,021	142%

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, 2008 is presented below.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Condensed Statement of Net Assets

	<u>City</u>	<u>Township</u>	<u>Totals</u>
Current and other assets	\$ 12,232,275	\$ 19,373,743	\$ 31,606,018
Capital assets	74,482,194	174,177,756	248,659,950
Total assets	86,714,469	193,551,499	280,265,968
Long-term liabilities	35,334,832	35,931,557	71,266,389
Other liabilities	820,256	5,371,943	6,192,199
Total liabilities	36,155,088	41,303,500	77,458,588
Invested in capital assets, net of related debt	39,483,322	140,437,126	179,920,448
Restricted	5,903,625	6,649,195	12,552,820
Unrestricted	5,172,434	5,161,678	10,334,112
Total net assets	\$ 50,559,381	\$ 152,247,999	\$ 202,807,380

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>City</u>			<u>Township</u>			<u>Totals</u>
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>	
Operating revenue	\$3,546,920	\$ 5,460,232	\$ 9,007,152	\$10,909,776	\$14,477,133	\$ 25,386,909	\$ 34,394,061
Operating expenses:							
Depreciation	973,946	1,697,292	2,671,238	1,251,932	6,337,608	7,589,540	10,260,778
Other operating	1,971,373	3,978,953	5,950,326	9,026,143	12,948,962	21,975,105	27,925,431
	2,945,319	5,676,245	8,621,564	10,278,075	19,286,570	29,564,645	38,186,209
Operating income (loss)	601,601	(216,013)	385,588	631,701	(4,809,437)	(4,177,736)	(3,792,148)
Nonoperating income (expense)	(380,089)	(663,378)	(1,043,467)	104,843	(657,866)	(553,023)	(1,596,490)
Capital contributions	14,045	9,982	24,027	766,038	1,408,792	2,174,830	2,198,857
Special item	-	-	-	(43,885)	-	(43,885)	(43,885)
Change in net assets	\$ 235,557	\$ (869,409)	(633,852)	\$ 1,458,697	\$ (4,058,511)	(2,599,814)	(3,233,666)
Net assets:							
Beginning of year			51,193,233			154,847,813	206,041,046
End of year			\$ 50,559,381			\$ 152,247,999	\$ 202,807,380

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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, 2008

	<u>City</u>	<u>Township</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 1,930,661	\$ 10,407,548	\$ 12,338,209
Sewage disposal sales	3,505,232	12,917,367	16,422,599
Surcharges and other usage fees:			
Capital improvement surcharge	3,083,852	560,695	3,644,547
Construction reserve	71,442	254,365	325,807
Environmental reserve	-	100,495	100,495
Other operating revenue	415,965	1,146,439	1,562,404
	<u>9,007,152</u>	<u>25,386,909</u>	<u>34,394,061</u>
Operating expenses			
Water distribution	1,117,918	6,409,114	7,527,032
Wastewater treatment	4,185,210	13,586,570	17,771,780
Wastewater pump stations	251,459	894,089	1,145,548
Industrial surveillance	78,639	258,143	336,782
Transmission and distribution	1,863,539	4,764,097	6,627,636
Meter service	336,541	1,100,178	1,436,719
Customer accounting and collections	204,304	668,413	872,717
General and administration	583,954	1,884,041	2,467,995
	<u>8,621,564</u>	<u>29,564,645</u>	<u>38,186,209</u>
Total operating expenses	<u>8,621,564</u>	<u>29,564,645</u>	<u>38,186,209</u>
Operating income (loss)	<u>385,588</u>	<u>(4,177,736)</u>	<u>(3,792,148)</u>
Nonoperating income (expense)			
Investment earnings	341,508	657,142	998,650
Connection fees	2,122	153,738	155,860
Interest and amortization expense	(1,387,097)	(1,396,240)	(2,783,337)
Gain (loss) on disposal of capital assets	-	32,337	32,337
	<u>(1,043,467)</u>	<u>(553,023)</u>	<u>(1,596,490)</u>
Nonoperating expense	<u>(1,043,467)</u>	<u>(553,023)</u>	<u>(1,596,490)</u>
Loss before contributions and special item	(657,879)	(4,730,759)	(5,388,638)
Capital contributions	24,027	2,174,830	2,198,857
Special item	<u>-</u>	<u>(43,885)</u>	<u>(43,885)</u>
Change in net assets	(633,852)	(2,599,814)	(3,233,666)
Net assets, beginning of year	<u>51,193,233</u>	<u>154,847,813</u>	<u>206,041,046</u>
Net assets, end of year	<u>\$ 50,559,381</u>	<u>\$ 152,247,999</u>	<u>\$ 202,807,380</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Assets
Water and Wastewater Allocation
For the Year Ended August 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 12,338,209	\$ -	\$ 12,338,209
Sewage disposal sales	-	16,422,599	16,422,599
Surcharges and other usage fees:			
Capital improvement surcharge	1,866,323	1,778,224	3,644,547
Construction reserve	180,628	145,179	325,807
Environmental reserve	-	100,495	100,495
Other operating revenue	71,536	1,490,868	1,562,404
	<u>14,456,696</u>	<u>19,937,365</u>	<u>34,394,061</u>
Operating expenses			
Water distribution	7,527,032	-	7,527,032
Wastewater treatment	-	17,771,780	17,771,780
Wastewater pump stations	-	1,145,548	1,145,548
Industrial surveillance	-	336,782	336,782
Transmission and distribution	3,440,298	3,187,338	6,627,636
Meter service	718,361	718,358	1,436,719
Customer accounting and collections	436,355	436,362	872,717
General and administration	1,101,348	1,366,647	2,467,995
	<u>13,223,394</u>	<u>24,962,815</u>	<u>38,186,209</u>
Total operating expenses	<u>13,223,394</u>	<u>24,962,815</u>	<u>38,186,209</u>
Operating income (loss)	<u>1,233,302</u>	<u>(5,025,450)</u>	<u>(3,792,148)</u>
Nonoperating income (expense)			
Investment earnings	505,787	492,863	998,650
Connection fees	77,930	77,930	155,860
Interest and amortization expense	(847,415)	(1,935,922)	(2,783,337)
Gain (loss) on disposal of capital assets	32,337	-	32,337
	<u>(231,361)</u>	<u>(1,365,129)</u>	<u>(1,596,490)</u>
Nonoperating loss	<u>(231,361)</u>	<u>(1,365,129)</u>	<u>(1,596,490)</u>
Income (loss) before contributions and special item	1,001,941	(6,390,579)	(5,388,638)
Capital contributions	780,083	1,418,774	2,198,857
Special item	<u>(43,885)</u>	<u>-</u>	<u>(43,885)</u>
Change in net assets	<u>\$ 1,738,139</u>	<u>\$ (4,971,805)</u>	<u>\$ (3,233,666)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues and Expenses
Water and Wastewater Allocation by Member
For the Year Ended August 31, 2008

	City		Total
	Water	Wastewater	
Operating revenues			
Water sales	\$ 1,930,661	\$ -	\$ 1,930,661
Sewage disposal sales	-	3,505,232	3,505,232
Surcharges and other usage fees:			
Capital improvement surcharge	1,548,046	1,535,806	3,083,852
Construction reserve	37,713	33,729	71,442
Environmental reserve	-	-	-
Other operating revenue	30,500	385,465	415,965
	<u>3,546,920</u>	<u>5,460,232</u>	<u>9,007,152</u>
Total operating revenue			
	<u>3,546,920</u>	<u>5,460,232</u>	<u>9,007,152</u>
Operating expenses			
Water distribution	1,117,918	-	1,117,918
Wastewater treatment	-	4,185,210	4,185,210
Wastewater pump stations	-	251,459	251,459
Industrial surveillance	-	78,639	78,639
Transmission and distribution	1,297,377	566,162	1,863,539
Meter service	168,270	168,271	336,541
Customer accounting and collections	102,149	102,155	204,304
General and administration	259,605	324,349	583,954
	<u>2,945,319</u>	<u>5,676,245</u>	<u>8,621,564</u>
Total operating expenses			
	<u>2,945,319</u>	<u>5,676,245</u>	<u>8,621,564</u>
Operating income (expense)	<u>601,601</u>	<u>(216,013)</u>	<u>385,588</u>
Non-operating income (expense)			
Investment earnings	170,829	170,679	341,508
Connection fees	1,061	1,061	2,122
Interest and amortization expense	(551,979)	(835,118)	(1,387,097)
Gain (loss) on disposal of capital assets	-	-	-
	<u>(380,089)</u>	<u>(663,378)</u>	<u>(1,043,467)</u>
Non-operating income (expense)			
	<u>(380,089)</u>	<u>(663,378)</u>	<u>(1,043,467)</u>
Income (loss) before contributions and special item	221,512	(879,391)	(657,879)
Capital contributions	14,045	9,982	24,027
Special item	-	-	-
Change in net assets	<u>\$ 235,557</u>	<u>\$ (869,409)</u>	<u>\$ (633,852)</u>

Township			
Water	Wastewater	Total	Total
\$ 10,407,548	\$ -	\$ 10,407,548	\$ 12,338,209
-	12,917,367	12,917,367	16,422,599
318,277	242,418	560,695	3,644,547
142,915	111,450	254,365	325,807
-	100,495	100,495	100,495
41,036	1,105,403	1,146,439	1,562,404
<u>10,909,776</u>	<u>14,477,133</u>	<u>25,386,909</u>	<u>34,394,061</u>
6,409,114	-	6,409,114	7,527,032
-	13,586,570	13,586,570	17,771,780
-	894,089	894,089	1,145,548
-	258,143	258,143	336,782
2,142,921	2,621,176	4,764,097	6,627,636
550,091	550,087	1,100,178	1,436,719
334,206	334,207	668,413	872,717
841,743	1,042,298	1,884,041	2,467,995
<u>10,278,075</u>	<u>19,286,570</u>	<u>29,564,645</u>	<u>38,186,209</u>
<u>631,701</u>	<u>(4,809,437)</u>	<u>(4,177,736)</u>	<u>(3,792,148)</u>
334,958	322,184	657,142	998,650
76,869	76,869	153,738	155,860
(295,436)	(1,100,804)	(1,396,240)	(2,783,337)
(11,548)	43,885	32,337	32,337
<u>104,843</u>	<u>(657,866)</u>	<u>(553,023)</u>	<u>(1,596,490)</u>
736,544	(5,467,303)	(4,730,759)	(5,388,638)
766,038	1,408,792	2,174,830	2,198,857
(43,885)	-	(43,885)	(43,885)
<u>\$ 1,458,697</u>	<u>\$ (4,058,511)</u>	<u>\$ (2,599,814)</u>	<u>\$ (3,233,666)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
City and Township Allocation
For the Year Ended August 31, 2008

	<u>City</u>	<u>Township</u>	<u>Total</u>
Water distribution			
Wages	\$ 61,522	\$ 344,299	\$ 405,821
Benefits allocation	42,037	235,249	277,286
Purchased water	974,073	5,451,214	6,425,287
Utilities	6,368	188,527	194,895
Maintenance and supplies	3,053	17,082	20,135
Computers, copiers and printers	629	3,523	4,152
Third party systems support	1,212	6,780	7,992
Professional services	1,939	10,854	12,793
Engineering	1,380	7,720	9,100
Depreciation	3,674	20,564	24,238
Other	6,602	36,953	43,555
Fleet allocation	1,674	9,371	11,045
Maintenance allocation	13,755	76,978	90,733
	<u>1,117,918</u>	<u>6,409,114</u>	<u>7,527,032</u>
Wastewater treatment			
Wages	402,441	1,321,077	1,723,518
Benefits allocation	274,977	902,653	1,177,630
Utilities	589,836	1,936,228	2,526,064
Sludge removal	95,516	313,549	409,065
Maintenance and supplies	123,119	404,162	527,281
Computers, copiers and printers	2,926	9,605	12,531
Third party systems support	3,959	12,997	16,956
Professional services	86,973	285,503	372,476
Engineering	8,080	26,524	34,604
Laboratory	4,632	15,204	19,836
Chemicals	211,775	695,183	906,958
Depreciation	1,551,669	5,093,593	6,645,262
Other	15,920	52,257	68,177
Fleet allocation	63,154	209,295	272,449
Maintenance allocation	617,736	1,873,803	2,491,539
Laboratory allocation	132,497	434,937	567,434
	<u>4,185,210</u>	<u>13,586,570</u>	<u>17,771,780</u>
Wastewater pump stations			
Wages	55,352	181,700	237,052
Benefits allocation	37,820	124,151	161,971
Utilities	105,651	414,512	520,163
Maintenance and supplies	37,298	122,436	159,734
Computers, copiers and printers	37	120	157
Professional services	12,417	40,759	53,176
Engineering	186	1,551	1,737
Depreciation	2,177	7,148	9,325
Other	521	1,712	2,233
	<u>251,459</u>	<u>894,089</u>	<u>1,145,548</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2008

	<u>City</u>	<u>Township</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ 41,005	\$ 134,605	\$ 175,610
Benefits allocation	28,017	91,972	119,989
Maintenance and supplies	2,019	6,625	8,644
Computers, copiers and printers	45	147	192
Third party systems support	274	898	1,172
Professional services	2,611	8,573	11,184
Depreciation	88	287	375
Other	1,440	4,727	6,167
Fleet allocation	3,140	10,309	13,449
	<u>78,639</u>	<u>258,143</u>	<u>336,782</u>
Transmission and distribution			
Wages	352,401	1,292,797	1,645,198
Benefits allocation	330,147	793,969	1,124,116
Utilities	10,775	39,529	50,304
Sewer overflow settlements	25,771	65,728	91,499
Maintenance:			
Shop and office	10,849	39,795	50,644
Water and sewer mains	41,921	115,142	157,063
Computers, copiers and printers	2,086	7,652	9,738
Third party systems support	719	2,637	3,356
Professional services	593	2,174	2,767
Engineering	-	11,839	11,839
Depreciation	972,337	2,002,469	2,974,806
Other	4,915	14,064	18,979
Fleet allocation	102,312	344,336	446,648
Maintenance allocation	8,713	31,966	40,679
	<u>1,863,539</u>	<u>4,764,097</u>	<u>6,627,636</u>
Meter service			
Wages	126,244	413,031	539,275
Benefits allocation	86,259	282,212	368,471
Utilities	5,652	17,607	23,259
Maintenance and supplies	854	2,798	3,652
Computers, copiers and printers	839	2,744	3,583
Third party systems support	1,237	4,048	5,285
Professional services	222	724	946
Meter parts	33,877	110,837	144,714
Depreciation	58,679	191,979	250,658
Other	1,692	5,542	7,234
Fleet allocation	20,986	68,656	89,642
	<u>336,541</u>	<u>1,100,178</u>	<u>1,436,719</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2008

	<u>City</u>	<u>Township</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 91,790	\$ 300,307	\$ 392,097
Benefits allocation	62,717	205,191	267,908
Utilities	8,649	28,296	36,945
Maintenance and supplies	3,926	12,845	16,771
Computers, copiers and printers	6,495	21,252	27,747
Third party systems support	6,252	20,453	26,705
Professional services	303	989	1,292
Postage	14,907	48,769	63,676
Depreciation	8,344	27,300	35,644
Other	921	3,011	3,932
	<u>204,304</u>	<u>668,413</u>	<u>872,717</u>
General and administrative			
Wages	116,627	382,845	499,472
Benefits allocation	79,688	261,587	341,275
Maintenance and supplies	962	3,159	4,121
Computers, copiers and printers	2,653	8,711	11,364
Third party systems support	2,545	8,356	10,901
Engineering	8,078	25,736	33,814
Building and liability insurance	64,435	211,520	275,955
Legal services	24,756	81,267	106,023
Professional services	2,012	6,604	8,616
Depreciation	4,808	15,783	20,591
Other	12,411	38,946	51,357
Bad debt expense	12,837	43,403	56,240
Fleet allocation	7,850	25,772	33,622
Maintenance allocation	4,499	14,768	19,267
Human resource allocation	136,398	422,599	558,997
Accounting allocation	103,395	332,985	436,380
	<u>583,954</u>	<u>1,884,041</u>	<u>2,467,995</u>
Fleet			
Wages	38,230	128,205	166,435
Benefits allocation	26,122	87,599	113,721
Utilities	523	1,756	2,279
Radio maintenance	1,183	3,966	5,149
Maintenance parts and supplies	18,608	62,404	81,012
Computers, copiers and printers	51	171	222
Third party systems support	339	1,139	1,478
Professional services	3,046	10,217	13,263
Gas, oil and grease	43,985	147,502	191,487
Insurance	11,012	36,930	47,942
Depreciation	55,560	186,320	241,880
Other	457	1,530	1,987
Allocated to various departments	(199,116)	(667,739)	(866,855)
	<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, 2008

	<u>City</u>	<u>Township</u>	<u>Total</u>
Human resources			
Wages	\$ 67,661	\$ 209,637	\$ 277,298
Benefits allocation	46,231	143,239	189,470
Safety program	504	1,563	2,067
Legal services	1,627	5,040	6,667
Physicals	2,196	6,803	8,999
Office supplies	748	2,316	3,064
Computers, copiers and printers	296	917	1,213
Third party systems support	2,244	6,951	9,195
Professional services	673	2,087	2,760
Depreciation	6,871	21,289	28,160
Other	7,347	22,757	30,104
Allocated to general and administrative	(136,398)	(422,599)	(558,997)
	<u>-</u>	<u>-</u>	<u>-</u>
Benefits and payroll taxes			
Health insurance	868,818	2,691,910	3,560,728
Life insurance	3,464	10,731	14,195
Disability insurance	14,473	44,843	59,316
Social security	148,687	460,685	609,372
Workers compensation	23,992	74,338	98,330
Pension contribution	279,603	866,309	1,145,912
Uniforms	3,230	10,006	13,236
Allocated to various departments	(1,342,267)	(4,158,822)	(5,501,089)
	<u>-</u>	<u>-</u>	<u>-</u>
Maintenance			
Wages	369,589	1,145,119	1,514,708
Benefits allocation	252,529	782,427	1,034,956
Maintenance and supplies	6,880	21,310	28,190
Computers, copiers and printers	3,288	10,186	13,474
Third party systems support	4,208	13,038	17,246
Depreciation	1,509	4,676	6,185
Other	6,700	20,759	27,459
Allocated to various departments	(644,703)	(1,997,515)	(2,642,218)
	<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, 2008

	<u>City</u>	<u>Township</u>	<u>Total</u>
Laboratory			
Wages	\$ 70,323	\$ 230,846	\$ 301,169
Benefits allocation	48,050	157,730	205,780
Maintenance and supplies	6,075	19,939	26,014
Computers, copiers and printers	467	1,534	2,001
Third party systems support	159	520	679
Professional services	2,434	7,992	10,426
Depreciation	3,556	11,675	15,231
Other	1,433	4,701	6,134
Allocated to wastewater treatment	<u>(132,497)</u>	<u>(434,937)</u>	<u>(567,434)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	40,501	132,952	173,453
Benefits allocation	27,673	90,843	118,516
Office supplies	881	2,891	3,772
Computers, copiers and printers	766	2,515	3,281
Third party systems support	1,084	3,558	4,642
Professional services	17,860	58,630	76,490
Depreciation	1,967	6,457	8,424
Other	12,663	35,139	47,802
Allocated to general and administrative	<u>(103,395)</u>	<u>(332,985)</u>	<u>(436,380)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 8,621,564</u>	<u>\$ 29,564,645</u>	<u>\$ 38,186,209</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
Water and Wastewater Allocation
For the Year Ended August 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Water distribution			
Wages	\$ 405,821	\$ -	\$ 405,821
Benefits allocation	277,286	-	277,286
Purchased water	6,425,287	-	6,425,287
Utilities	194,895	-	194,895
Maintenance and supplies	20,135	-	20,135
Computers, copiers and printers	4,152	-	4,152
Third party systems support	7,992	-	7,992
Professional services	12,793	-	12,793
Engineering	9,100	-	9,100
Depreciation	24,238	-	24,238
Other	43,555	-	43,555
Fleet allocation	11,045	-	11,045
Maintenance allocation	90,733	-	90,733
	<u>7,527,032</u>	<u>-</u>	<u>7,527,032</u>
Wastewater treatment			
Wages	-	1,723,518	1,723,518
Benefits allocation	-	1,177,630	1,177,630
Utilities	-	2,526,064	2,526,064
Sludge removal	-	409,065	409,065
Maintenance and supplies	-	527,281	527,281
Computers, copiers and printers	-	12,531	12,531
Third party systems support	-	16,956	16,956
Professional services	-	372,476	372,476
Engineering	-	34,604	34,604
Laboratory	-	19,836	19,836
Chemicals	-	906,958	906,958
Depreciation	-	6,645,262	6,645,262
Other	-	68,177	68,177
Fleet allocation	-	272,449	272,449
Maintenance allocation	-	2,491,539	2,491,539
Laboratory allocation	-	567,434	567,434
	<u>-</u>	<u>17,771,780</u>	<u>17,771,780</u>
Wastewater pump stations			
Wages	-	237,052	237,052
Benefits allocation	-	161,971	161,971
Utilities	-	520,163	520,163
Maintenance and supplies	-	159,734	159,734
Computers, copiers and printers	-	157	157
Professional services	-	53,176	53,176
Engineering	-	1,737	1,737
Depreciation	-	9,325	9,325
Other	-	2,233	2,233
	<u>-</u>	<u>1,145,548</u>	<u>1,145,548</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ -	\$ 175,610	\$ 175,610
Benefits allocation	-	119,989	119,989
Maintenance and supplies	-	8,644	8,644
Computers, copiers and printers	-	192	192
Third party systems support	-	1,172	1,172
Professional services	-	11,184	11,184
Depreciation	-	375	375
Other	-	6,167	6,167
Fleet allocation	-	13,449	13,449
	<u>-</u>	<u>336,782</u>	<u>336,782</u>
Transmission and distribution			
Wages	634,388	1,010,810	1,645,198
Benefits allocation	493,738	630,378	1,124,116
Utilities	19,397	30,907	50,304
Sewer overflow settlements	35,437	56,062	91,499
Maintenance:			
Shop and office	19,527	31,117	50,644
Water and sewer mains	60,770	96,293	157,063
Computers, copiers and printers	3,755	5,983	9,738
Third party systems support	1,294	2,062	3,356
Professional services	1,067	1,700	2,767
Engineering	-	11,839	11,839
Depreciation	1,960,002	1,014,804	2,974,806
Other	7,340	11,639	18,979
Fleet allocation	200,903	245,745	446,648
Maintenance allocation	2,680	37,999	40,679
	<u>3,440,298</u>	<u>3,187,338</u>	<u>6,627,636</u>
Meter service			
Wages	269,637	269,638	539,275
Benefits allocation	184,236	184,235	368,471
Utilities	11,631	11,628	23,259
Maintenance and supplies	1,826	1,826	3,652
Computers, copiers and printers	1,792	1,791	3,583
Third party systems support	2,642	2,643	5,285
Professional services	473	473	946
Meter parts	72,357	72,357	144,714
Depreciation	125,329	125,329	250,658
Other	3,617	3,617	7,234
Fleet allocation	44,821	44,821	89,642
	<u>718,361</u>	<u>718,358</u>	<u>1,436,719</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 196,048	\$ 196,049	\$ 392,097
Benefits allocation	133,954	133,954	267,908
Utilities	18,472	18,473	36,945
Maintenance and supplies	8,385	8,386	16,771
Computers, copiers and printers	13,873	13,874	27,747
Third party systems support	13,352	13,353	26,705
Professional services	646	646	1,292
Postage	31,838	31,838	63,676
Depreciation	17,822	17,822	35,644
Other	1,965	1,967	3,932
	<u>436,355</u>	<u>436,362</u>	<u>872,717</u>
General and administrative			
Wages	249,736	249,736	499,472
Benefits allocation	170,637	170,638	341,275
Maintenance and supplies	2,060	2,061	4,121
Computers, copiers and printers	5,682	5,682	11,364
Third party systems support	5,451	5,450	10,901
Engineering	16,907	16,907	33,814
Building and liability insurance	137,977	137,978	275,955
Legal services	53,011	53,012	106,023
Professional services	4,308	4,308	8,616
Depreciation	10,296	10,295	20,591
Other	25,679	25,678	51,357
Bad debt expense	28,120	28,120	56,240
Fleet allocation	16,811	16,811	33,622
Maintenance allocation	9,634	9,633	19,267
Human resource allocation	146,848	412,149	558,997
Accounting allocation	218,191	218,189	436,380
	<u>1,101,348</u>	<u>1,366,647</u>	<u>2,467,995</u>
Fleet			
Wages	52,527	113,908	166,435
Benefits allocation	35,890	77,831	113,721
Utilities	720	1,559	2,279
Radio maintenance	1,625	3,524	5,149
Maintenance parts and supplies	25,568	55,444	81,012
Computers, copiers and printers	70	152	222
Third party systems support	466	1,012	1,478
Professional services	4,186	9,077	13,263
Gas, oil and grease	60,433	131,054	191,487
Insurance	15,130	32,812	47,942
Depreciation	76,338	165,542	241,880
Other	627	1,360	1,987
Allocated to various departments	<u>(273,580)</u>	<u>(593,275)</u>	<u>(866,855)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Human resources			
Wages	\$ 72,846	\$ 204,452	\$ 277,298
Benefits allocation	49,774	139,696	189,470
Safety program	543	1,524	2,067
Legal services	1,751	4,916	6,667
Physicals	2,364	6,635	8,999
Office supplies	805	2,259	3,064
Computers, copiers and printers	319	894	1,213
Third party systems support	2,416	6,779	9,195
Professional services	725	2,035	2,760
Depreciation	7,398	20,762	28,160
Other	7,907	22,197	30,104
Allocated to general and administrative	(146,848)	(412,149)	(558,997)
	-	-	-
Benefits and payroll taxes			
Health insurance	935,404	2,625,324	3,560,728
Life insurance	3,729	10,466	14,195
Disability insurance	15,582	43,734	59,316
Social security	160,082	449,290	609,372
Workers compensation	25,831	72,499	98,330
Pension contribution	301,031	844,881	1,145,912
Uniforms	3,477	9,759	13,236
Allocated to various departments	(1,445,136)	(4,055,953)	(5,501,089)
	-	-	-
Maintenance			
Wages	59,074	1,455,634	1,514,708
Benefits allocation	40,363	994,593	1,034,956
Maintenance and supplies	1,100	27,090	28,190
Computers, copiers and printers	525	12,949	13,474
Third party systems support	673	16,573	17,246
Depreciation	241	5,944	6,185
Other	1,071	26,388	27,459
Allocated to various departments	(103,047)	(2,539,171)	(2,642,218)
	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
Water and Wastewater Allocation
For the Year Ended August 31, 2008

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Laboratory			
Wages	\$ -	\$ 301,169	\$ 301,169
Benefits allocation	-	205,780	205,780
Maintenance and supplies	-	26,014	26,014
Computers, copiers and printers	-	2,001	2,001
Third party systems support	-	679	679
Professional services	-	10,426	10,426
Depreciation	-	15,231	15,231
Other	-	6,134	6,134
Allocated to wastewater treatment	-	(567,434)	(567,434)
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	86,727	86,726	173,453
Benefits allocation	59,258	59,258	118,516
Office supplies	1,886	1,886	3,772
Computers, copiers and printers	1,640	1,641	3,281
Third party systems support	2,321	2,321	4,642
Professional services	38,246	38,244	76,490
Depreciation	4,212	4,212	8,424
Other	23,901	23,901	47,802
Allocated to general and administrative	(218,191)	(218,189)	(436,380)
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 13,223,394</u>	<u>\$ 24,962,815</u>	<u>\$ 38,186,209</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses -
Budget and Actual
For the Year Ended August 31, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Water distribution				
Wages	\$ 404,758	\$ 404,758	\$ 405,821	\$ 1,063
Benefits allocation	291,828	291,828	277,286	(14,542)
Purchased water	6,709,695	6,709,695	6,425,287	(284,408)
Utilities	227,450	227,450	194,895	(32,555)
Maintenance and supplies	24,400	24,400	20,135	(4,265)
Computers, copiers and printers	7,900	7,900	4,152	(3,748)
Third party systems support	6,721	6,721	7,992	1,271
Professional services	8,750	8,750	12,793	4,043
Engineering	15,000	15,000	9,100	(5,900)
Depreciation	133,473	133,473	24,238	(109,235)
Other	60,200	60,200	43,555	(16,645)
Fleet allocation	20,493	20,493	11,045	(9,448)
Maintenance allocation	143,489	143,489	90,733	(52,756)
	<u>8,054,157</u>	<u>8,054,157</u>	<u>7,527,032</u>	<u>(527,125)</u>
Wastewater treatment				
Wages	1,731,761	1,731,761	1,723,518	(8,243)
Benefits allocation	1,248,589	1,248,589	1,177,630	(70,959)
Utilities	2,791,000	2,791,000	2,526,064	(264,936)
Sludge removal	307,000	307,000	409,065	102,065
Maintenance and supplies	516,000	516,000	527,281	11,281
Computers, copiers and printers	10,000	10,000	12,531	2,531
Third party systems support	32,400	32,400	16,956	(15,444)
Professional services	150,000	150,000	372,476	222,476
Engineering	50,000	50,000	34,604	(15,396)
Laboratory	8,500	8,500	19,836	11,336
Chemicals	850,000	850,000	906,958	56,958
Depreciation	7,384,864	7,384,864	6,645,262	(739,602)
Other	121,562	121,562	68,177	(53,385)
Fleet allocation	327,610	327,610	272,449	(55,161)
Maintenance allocation	2,748,859	2,748,859	2,491,539	(257,320)
Laboratory allocation	658,915	658,915	567,434	(91,481)
	<u>18,937,061</u>	<u>18,937,061</u>	<u>17,771,780</u>	<u>(1,165,281)</u>
Wastewater pump stations				
Wages	211,981	211,981	237,052	25,071
Benefits allocation	152,837	152,837	161,971	9,134
Utilities	468,530	468,530	520,163	51,633
Maintenance and supplies	84,500	84,500	159,734	75,234
Computers, copiers and printers	-	-	157	157
Professional services	18,600	18,600	53,176	34,576
Engineering	-	-	1,737	1,737
Depreciation	22,930	22,930	9,325	(13,605)
Other	1,000	1,000	2,233	1,233
	<u>960,378</u>	<u>960,378</u>	<u>1,145,548</u>	<u>185,170</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Industrial surveillance				
Wages	\$ 176,552	\$ 176,552	\$ 175,610	\$ (942)
Benefits allocation	127,293	127,293	119,989	(7,304)
Maintenance and supplies	12,000	12,000	8,644	(3,356)
Computers, copiers and printers	4,000	4,000	192	(3,808)
Third party systems support	2,000	2,000	1,172	(828)
Professional services	18,000	18,000	11,184	(6,816)
Depreciation	375	375	375	-
Other	6,600	6,600	6,167	(433)
Fleet allocation	13,663	13,663	13,449	(214)
	<u>360,483</u>	<u>360,483</u>	<u>336,782</u>	<u>(23,701)</u>
Transmission and distribution				
Wages	1,735,204	1,735,204	1,645,198	(90,006)
Benefits allocation	1,251,072	1,251,072	1,124,116	(126,956)
Utilities	73,600	73,600	50,304	(23,296)
Sewer overflow settlements	205,000	205,000	91,499	(113,501)
Maintenance:				
Shop and office	73,500	73,500	50,644	(22,856)
Water and sewer mains	282,500	282,500	157,063	(125,437)
Computers, copiers and printers	19,000	19,000	9,738	(9,262)
Third party systems support	10,200	10,200	3,356	(6,844)
Professional services	287,500	287,500	2,767	(284,733)
Engineering	177,500	177,500	11,839	(165,661)
Depreciation	3,618,965	3,618,965	2,974,806	(644,159)
Other	29,450	29,450	18,979	(10,471)
Fleet allocation	457,308	457,308	446,648	(10,660)
Maintenance allocation	43,689	43,689	40,679	(3,010)
	<u>8,264,488</u>	<u>8,264,488</u>	<u>6,627,636</u>	<u>(1,636,852)</u>
Meter service				
Wages	549,443	549,443	539,275	(10,168)
Benefits allocation	396,145	396,145	368,471	(27,674)
Utilities	24,500	24,500	23,259	(1,241)
Maintenance and supplies	6,850	6,850	3,652	(3,198)
Computers, copiers and printers	4,500	4,500	3,583	(917)
Third party systems support	4,166	4,166	5,285	1,119
Professional services	1,000	1,000	946	(54)
Meter parts	213,000	213,000	144,714	(68,286)
Depreciation	312,927	312,927	250,658	(62,269)
Other	13,825	13,825	7,234	(6,591)
Fleet allocation	95,542	95,542	89,642	(5,900)
	<u>1,621,897</u>	<u>1,621,897</u>	<u>1,436,719</u>	<u>(185,178)</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Customer accounting/collections				
Wages	\$ 415,317	\$ 415,317	\$ 392,097	\$ (23,220)
Benefits allocation	299,441	299,441	267,908	(31,533)
Utilities	35,100	35,100	36,945	1,845
Maintenance and supplies	22,300	22,300	16,771	(5,529)
Computers, copiers and printers	18,350	18,350	27,747	9,397
Third party systems support	30,900	30,900	26,705	(4,195)
Professional services	-	-	1,292	1,292
Postage	61,635	61,635	63,676	2,041
Depreciation	38,044	38,044	35,644	(2,400)
Other	7,955	7,955	3,932	(4,023)
	<u>929,043</u>	<u>929,043</u>	<u>872,717</u>	<u>(56,326)</u>
General and administrative				
Wages	492,854	492,854	499,472	6,618
Benefits allocation	355,345	355,345	341,275	(14,070)
Maintenance and supplies	12,500	12,500	4,121	(8,379)
Computers, copiers and printers	16,870	16,870	11,364	(5,506)
Third party systems support	16,578	16,578	10,901	(5,677)
Engineering	28,500	28,500	33,814	5,314
Building and liability insurance	325,000	325,000	275,955	(49,045)
Legal services	150,750	150,750	106,023	(44,727)
Professional services	5,000	5,000	8,616	3,616
Depreciation	20,135	20,135	20,591	456
Other	62,875	62,875	51,357	(11,518)
Bad debt expense	4,500	4,500	56,240	51,740
Fleet allocation	34,155	34,155	33,622	(533)
Maintenance allocation	22,615	22,615	19,267	(3,348)
Human resource allocation	636,668	601,947	558,997	(42,950)
Accounting allocation	458,678	458,678	436,380	(22,298)
	<u>2,643,023</u>	<u>2,608,302</u>	<u>2,467,995</u>	<u>(140,307)</u>
Fleet				
Wages	171,516	171,516	166,435	(5,081)
Benefits allocation	123,662	123,662	113,721	(9,941)
Utilities	-	-	2,279	2,279
Radio maintenance	4,250	4,250	5,149	899
Maintenance parts and supplies	101,875	101,875	81,012	(20,863)
Computers, copiers and printers	1,350	1,350	222	(1,128)
Third party systems support	1,683	1,683	1,478	(205)
Professional services	12,500	12,500	13,263	763
Gas, oil and grease	165,000	165,000	191,487	26,487
Insurance	70,000	70,000	47,942	(22,058)
Depreciation	293,785	293,785	241,880	(51,905)
Other	3,150	3,150	1,987	(1,163)
Allocated to various departments	(948,771)	(948,771)	(866,855)	81,916
	<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, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Human resources				
Wages	\$ 265,055	\$ 254,498	\$ 277,298	\$ 22,800
Benefits allocation	191,103	166,939	189,470	22,531
Safety program	4,500	4,500	2,067	(2,433)
Legal services	25,000	25,000	6,667	(18,333)
Physicals	16,800	16,800	8,999	(7,801)
Office supplies	7,000	7,000	3,064	(3,936)
Computers, copiers and printers	6,000	6,000	1,213	(4,787)
Third party systems support	15,000	15,000	9,195	(5,805)
Professional services	10,000	10,000	2,760	(7,240)
Depreciation	28,160	28,160	28,160	-
Other	68,050	68,050	30,104	(37,946)
Allocated to general and administrative	(636,668)	(601,947)	(558,997)	42,950
	-	-	-	-
Benefits and payroll taxes				
Health insurance	3,909,732	3,909,732	3,560,728	(349,004)
Life insurance	19,900	19,900	14,195	(5,705)
Disability insurance	84,500	84,500	59,316	(25,184)
Social security	641,786	641,786	609,372	(32,414)
Workers compensation	120,237	120,237	98,330	(21,907)
Pension contribution	1,179,986	1,179,986	1,145,912	(34,074)
Unemployment	9,412	9,412	-	(9,412)
Uniforms	21,000	21,000	13,236	(7,764)
Allocated to various departments	(5,986,553)	(5,986,553)	(5,501,089)	485,464
	-	-	-	-
Maintenance				
Wages	1,631,331	1,631,331	1,514,708	(116,623)
Benefits allocation	1,176,179	1,176,179	1,034,956	(141,223)
Maintenance and supplies	47,750	47,750	28,190	(19,560)
Computers, copiers and printers	19,000	19,000	13,474	(5,526)
Third party systems support	25,207	25,207	17,246	(7,961)
Depreciation	9,185	9,185	6,185	(3,000)
Other	50,000	50,000	27,459	(22,541)
Allocated to various departments	(2,958,652)	(2,958,652)	(2,642,218)	316,434
	-	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Concluded)
Budget and Actual
For the Year Ended August 31, 2008

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Laboratory				
Wages	\$ 336,424	\$ 336,424	\$ 301,169	\$ (35,255)
Benefits allocation	242,560	242,560	205,780	(36,780)
Maintenance and supplies	29,000	29,000	26,014	(2,986)
Computers, copiers and printers	5,000	5,000	2,001	(2,999)
Third party systems support	2,000	2,000	679	(1,321)
Professional services	10,000	10,000	10,426	426
Depreciation	27,032	27,032	15,231	(11,801)
Other	6,900	6,900	6,134	(766)
Allocated to wastewater treatment	(658,915)	(658,915)	(567,434)	91,481
	-	-	-	-
Accounting				
Wages	181,000	181,000	173,453	(7,547)
Benefits allocation	130,500	130,500	118,516	(11,984)
Office supplies	700	700	3,772	3,072
Computers, copiers and printers	10,700	10,700	3,281	(7,419)
Third party systems support	6,355	6,355	4,642	(1,713)
Professional services	82,000	82,000	76,490	(5,510)
Depreciation	8,424	8,424	8,424	0
Other	39,000	39,000	47,802	8,802
Allocated to general and administrative	(458,678)	(458,678)	(436,380)	22,298
	-	-	-	-
Total operating expenses	\$ 41,770,530	\$ 41,735,809	\$ 38,186,209	\$ (3,549,600)

STATISTICAL SECTION

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenue				
Water sales	\$ 12,338,209	\$ 12,680,932	\$ 11,542,307	\$ 11,649,244
Sewage disposal sales	16,422,599	16,480,689	13,621,058	13,701,463
Surcharges and other usage fees	4,070,849	4,195,911	4,422,394	4,460,475
Other operating revenue	1,562,404	2,500,151	2,217,203	2,159,409
Sales discounts (5)	-	-	-	-
Total operating revenue	<u>34,394,061</u>	<u>35,857,683</u>	<u>31,802,962</u>	<u>31,970,591</u>
Operating expenses				
Water distribution	7,527,032	7,486,176	7,085,751	6,930,845
Wastewater treatment	17,771,780	16,977,585	13,052,424	10,226,090
Wastewater pump stations	1,145,548	1,054,513	883,122	834,416
Industrial surveillance	336,782	335,299	335,131	375,466
Transmission and distribution	6,627,636	6,630,235	6,105,316	5,766,919
Meter service	1,436,719	1,518,009	1,513,485	1,419,979
Customer accounting and collections	872,717	837,640	791,665	720,370
General and administration (1)	2,467,995	2,424,113	2,438,567	2,125,010
Unallocated depreciation (2)	-	-	-	-
Total operating expenses	<u>38,186,209</u>	<u>37,263,570</u>	<u>32,205,461</u>	<u>28,399,095</u>
Operating income (loss)	<u>(3,792,148)</u>	<u>(1,405,887)</u>	<u>(402,499)</u>	<u>3,571,496</u>
Non-operating income (expense)				
Investment earnings	998,650	1,595,219	958,973	651,753
Connection fees (3)	155,860	265,589	909,761	975,348
Debt service contributions	-	63,007	146,476	1,004,525
Interest and amortization expense	(2,783,337)	(2,747,453)	(1,109,703)	(951,745)
Gain (loss) on disposal of capital assets	32,337	19,852	-	(75,287)
Debt service transfer to County (4)	-	-	-	-
Total non-operating income (expense)	<u>(1,596,490)</u>	<u>(803,786)</u>	<u>905,507</u>	<u>1,604,594</u>
Income (loss) before contributions and special item	<u>\$ (5,388,638)</u>	<u>\$ (2,209,673)</u>	<u>\$ 503,008</u>	<u>\$ 5,176,090</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.

(5) Discounts on prepayments were phased out during fiscal 2004.

Table 1

	2004	2003	2002	2001	2000	1999
\$	9,763,879	\$ 8,616,377	\$ 8,039,879	\$ 7,910,860	\$ 7,456,993	\$ 7,024,206
	14,274,813	13,235,087	12,908,599	13,793,007	13,392,790	12,107,280
	3,649,946	2,503,637	1,891,240	1,728,426	1,748,046	1,730,655
	2,408,713	2,248,813	2,380,576	2,293,530	977,080	1,041,594
	(80,105)	(705,985)	(866,723)	(1,098,363)	(1,006,785)	(1,020,273)
	30,017,246	25,897,929	24,353,571	24,627,460	22,568,124	20,883,462
	5,873,120	5,282,942	4,894,966	4,288,716	3,988,979	3,923,990
	10,062,008	10,882,313	9,085,357	8,989,004	6,934,835	6,015,882
	771,991	805,890	928,166	822,901	836,632	799,666
	174,773	146,967	118,270	87,466	75,711	74,010
	4,938,907	5,049,571	3,665,838	3,616,432	2,064,652	2,232,299
	1,147,385	1,121,564	845,806	979,284	907,026	815,483
	680,264	651,361	523,708	453,677	445,768	368,651
	1,912,661	1,832,080	4,269,158	4,038,730	3,469,454	3,044,439
	-	-	-	-	3,861,969	3,652,293
	25,561,109	25,772,688	24,331,269	23,276,210	22,585,026	20,926,713
	4,456,137	125,241	22,302	1,351,250	(16,902)	(43,251)
	1,181,681	21,493	1,034,719	1,231,283	718,175	600,279
	2,145,105	1,066,491	-	-	-	-
	206,509	211,511	920,478	220,957	269,970	253,615
	(1,220,577)	(1,023,113)	(1,709,110)	(1,054,325)	(766,721)	(622,178)
	(1,969,458)	(2,833)	(66,461)	(465,007)	(32,884)	18,041
	-	-	(1,214,715)	(1,218,710)	(1,226,413)	(1,214,461)
	343,260	273,549	(1,035,089)	(1,285,802)	(1,037,873)	(964,704)
\$	4,799,397	\$ 398,790	\$ (1,012,787)	\$ 65,448	\$ (1,054,775)	\$ (1,007,955)

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenue				
Water sales	\$ 1,930,661	\$ 1,874,679	\$ 1,514,474	\$ 1,813,223
Sewage disposal sales	3,505,232	3,311,569	2,983,581	2,899,389
Surcharges and other usage fees	3,155,294	3,154,752	3,249,101	3,341,073
Other operating revenue	415,965	998,639	484,405	475,132
Sales discounts (5)	-	-	-	-
Total operating revenue	<u>9,007,152</u>	<u>9,339,639</u>	<u>8,231,561</u>	<u>8,528,817</u>
Operating expenses				
Water distribution	1,117,918	1,047,563	1,035,327	985,830
Wastewater treatment	4,185,210	4,199,045	3,016,898	2,280,419
Wastewater pump stations	251,459	232,488	170,871	174,512
Industrial surveillance	78,639	82,920	77,884	83,730
Transmission and distribution	1,863,539	1,811,269	1,245,754	1,174,276
Meter service	336,541	361,620	362,019	334,123
Customer accounting and collections	204,304	199,025	189,367	169,503
General and administration (1)	583,954	591,252	554,375	460,812
Unallocated depreciation (2)	-	-	-	-
Total operating expenses	<u>8,621,564</u>	<u>8,525,182</u>	<u>6,652,495</u>	<u>5,663,205</u>
Operating income (loss)	<u>385,588</u>	<u>814,457</u>	<u>1,579,066</u>	<u>2,865,612</u>
Non-operating income (expense)				
Investment earnings	341,508	704,584	347,237	219,724
Connection fees (3)	2,122	10,455	61,780	102,504
Debt service contributions	-	63,007	146,476	149,273
Interest and amortization expense	(1,387,097)	(1,238,663)	(711,028)	(405,501)
Gain (loss) on disposal of capital assets	-	-	-	-
Debt service transfer to County (4)	-	-	-	-
Total non-operating income (expense)	<u>(1,043,467)</u>	<u>(460,617)</u>	<u>(155,535)</u>	<u>66,000</u>
Income (loss) before contributions and special item	<u>\$ (657,879)</u>	<u>\$ 353,840</u>	<u>\$ 1,423,531</u>	<u>\$ 2,931,612</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.

(5) Discounts on prepayments were phased out during fiscal 2004.

Table 2

	2004	2003	2002	2001	2000	1999
\$	1,898,864	\$ 1,875,979	\$ 1,844,292	\$ 1,796,994	\$ 1,759,201	\$ 1,694,459
	3,057,411	3,155,582	3,155,163	3,294,403	3,368,627	3,030,469
	2,609,737	1,777,612	1,362,058	1,035,565	916,656	890,329
	433,067	380,495	463,168	479,546	203,254	206,987
	2,336	(126,303)	(153,336)	(155,773)	(134,272)	(145,607)
	8,001,415	7,063,365	6,671,345	6,450,735	6,113,466	5,676,637
	939,023	926,213	898,123	834,882	794,632	793,275
	2,253,203	2,510,603	2,258,154	2,397,946	1,851,516	1,535,176
	167,913	160,684	215,444	221,327	224,686	203,659
	38,824	33,173	28,844	22,627	20,333	18,849
	1,104,675	1,416,512	843,346	899,403	652,277	786,806
	284,106	284,344	218,046	259,904	252,586	235,709
	169,654	167,210	138,154	122,494	124,458	106,613
	402,537	440,901	1,111,971	1,129,497	983,280	819,641
	-	-	-	-	863,522	1,022,202
	5,359,935	5,939,640	5,712,082	5,888,080	5,767,290	5,521,930
	2,641,480	1,123,725	959,263	562,655	346,176	154,707
	285,942	(12,884)	92,213	256,390	235,048	214,676
	26,102	11,406	-	-	-	-
	169,161	211,511	236,052	220,957	239,104	224,104
	(610,808)	(496,504)	(722,772)	(394,423)	(413,162)	(398,460)
	(550,816)	(1,416)	(16,660)	(125,087)	(7,951)	(3,777)
	-	-	(331,253)	(312,721)	(334,933)	(330,091)
	(680,419)	(287,887)	(742,420)	(354,884)	(281,894)	(293,548)
\$	1,961,061	\$ 835,838	\$ 216,843	\$ 207,771	\$ 64,282	\$ (138,841)

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Operating revenue				
Water sales	\$ 10,407,548	\$ 10,806,253	\$ 10,027,833	\$ 9,836,021
Sewage disposal sales	12,917,367	13,169,120	10,637,477	10,802,074
Surcharges and other usage fees	915,555	1,041,159	1,173,293	1,119,402
Other operating revenue	1,146,439	1,501,512	1,732,798	1,684,277
Sales discounts (5)	-	-	-	-
Total operating revenue	<u>25,386,909</u>	<u>26,518,044</u>	<u>23,571,401</u>	<u>23,441,774</u>
Operating expenses				
Water distribution	6,409,114	6,438,613	6,050,424	5,945,015
Wastewater treatment	13,586,570	12,778,540	10,035,526	7,945,671
Wastewater pump stations	894,089	822,025	712,251	659,904
Industrial surveillance	258,143	252,379	257,247	291,736
Transmission and distribution	4,764,097	4,818,966	4,859,562	4,592,643
Meter service	1,100,178	1,156,389	1,151,466	1,085,856
Customer accounting and collections	668,413	638,615	602,298	550,867
General and administration (1)	1,884,041	1,832,861	1,884,192	1,664,198
Unallocated depreciation (2)	-	-	-	-
Total operating expenses	<u>29,564,645</u>	<u>28,738,388</u>	<u>25,552,966</u>	<u>22,735,890</u>
Operating income (loss)	<u>(4,177,736)</u>	<u>(2,220,344)</u>	<u>(1,981,565)</u>	<u>705,884</u>
Non-operating income (expense)				
Investment earnings	657,142	890,635	611,736	432,029
Connection fees (3)	153,738	255,134	847,981	872,844
Debt service contributions	-	-	-	855,252
Interest and amortization expense	(1,396,240)	(1,508,790)	(398,675)	(546,244)
Gain (loss) on disposal of capital assets	32,337	19,852	-	(75,287)
Debt service transfer to County (4)	-	-	-	-
Total non-operating income (expense)	<u>(553,023)</u>	<u>(343,169)</u>	<u>1,061,042</u>	<u>1,538,594</u>
Income (loss) before contributions and special item	<u>\$ (4,730,759)</u>	<u>\$ (2,563,513)</u>	<u>\$ (920,523)</u>	<u>\$ 2,244,478</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.

(5) Discounts on prepayments were phased out during fiscal 2004.

Table 3

	2004	2003	2002	2001	2000	1999
\$	7,865,015	\$ 6,740,398	\$ 6,195,587	\$ 6,113,866	\$ 5,697,792	\$ 5,329,747
	11,217,402	10,079,505	9,753,436	10,498,604	10,024,163	9,076,811
	1,040,209	726,025	529,182	692,861	831,390	840,326
	1,975,646	1,868,318	1,917,408	1,813,984	773,826	834,607
	(82,441)	(579,682)	(713,387)	(942,590)	(872,513)	(874,666)
	22,015,831	18,834,564	17,682,226	18,176,725	16,454,658	15,206,825
	4,929,893	4,356,729	3,996,843	3,453,834	3,194,347	3,130,715
	7,825,218	8,371,710	6,827,203	6,591,058	5,083,319	4,480,706
	604,078	645,206	712,722	601,574	611,946	596,007
	135,949	113,794	89,426	64,839	55,378	55,161
	3,826,206	3,633,059	2,822,492	2,717,029	1,412,375	1,445,493
	863,279	837,220	627,760	719,380	654,440	579,774
	510,610	484,151	385,554	331,183	321,310	262,038
	1,505,941	1,391,179	3,157,187	2,909,233	2,486,174	2,224,798
	-	-	-	-	2,998,447	2,630,091
	20,201,174	19,833,048	18,619,187	17,388,130	16,817,736	15,404,783
	1,814,657	(998,484)	(936,961)	788,595	(363,078)	(197,958)
	895,739	34,377	942,506	974,893	483,127	385,603
	2,119,003	1,055,085	-	-	-	-
	37,348	-	684,426	-	30,866	29,511
	(609,769)	(526,609)	(986,338)	(659,902)	(353,559)	(223,718)
	(1,418,642)	(1,417)	(49,801)	(339,920)	(24,933)	21,818
	-	-	(883,462)	(905,989)	(891,480)	(884,370)
	1,023,679	561,436	(292,669)	(930,918)	(755,979)	(671,156)
\$	2,838,336	\$ (437,048)	\$ (1,229,630)	\$ (142,323)	\$ (1,119,057)	\$ (869,114)

Table 4

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

<u>Fiscal Year</u>	<u>(1) Gross Revenue</u>	<u>(2) Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>(3) Total Debt Service Requirement</u>	<u>Coverage</u>
2008	\$35,548,571	\$27,925,431	\$ 7,623,140	\$ 5,368,807	1.42
2007	37,781,498	26,934,365	10,847,133	5,765,242	1.88
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

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

(2) Excludes depreciation expense.

(3) Includes bonds and capital leases.