

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, 2010



YPSILANTI COMMUNITY UTILITIES AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2010

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INTRODUCTORY SECTION



February 18, 2011

**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, 2010.

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, 2010 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, 2010 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 with completion in 2010. The expanded capacity is for the WTUA, which is presently negotiating with Wayne County and is anticipated a majority all the sewage from Northville, Plymouth and Canton Townships will be diverted to YCUA upon completion of those negotiations. The construction updated equipment, adds additional odor controls, safer disinfection equipment and a more efficient incinerator for burning sewage sludge, which replaced a multiple hearth unit. Air incineration emissions have been 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. The Authority recently requested and granted an updated wastewater treatment plant design capacity from the Michigan Department of Environment Quality in 2009. The new design capacity is for 51.2 MGD. Other projects currently under construction include water main replacements along with various other minor pump station and water main upgrades/replacements 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, 2009 (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, 2010, there were 69 retired employees receiving these benefits. In September 2005, YCUA entered into an agreement with MERS to create a retiree healthcare trust plan.

Further information regarding the Authority's retirement and other postemployment benefits plans can be found in Notes 4-C and 4-D in the notes to the financial statements.

Acknowledgements

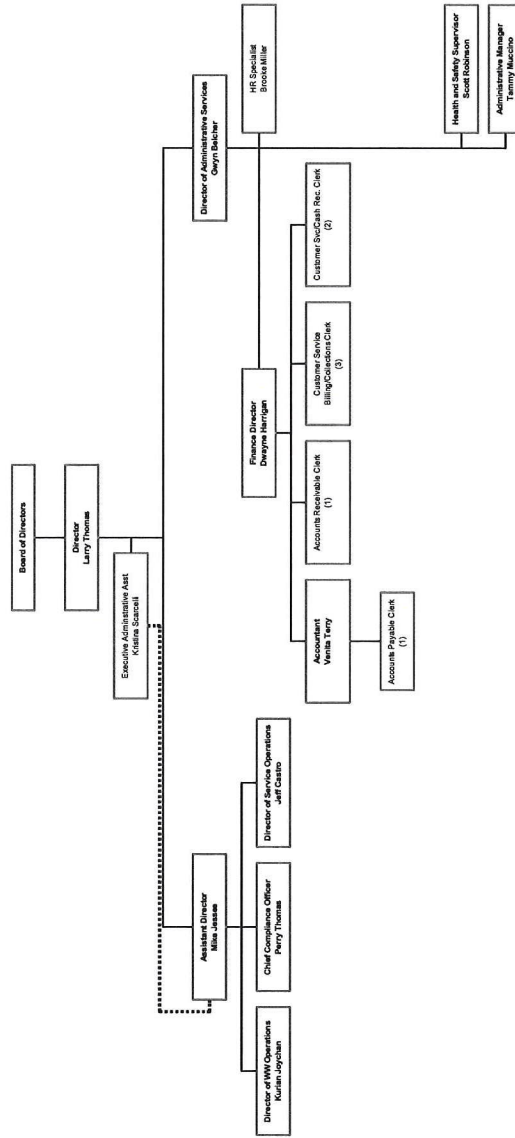
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this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

Larry R. Thomas
Executive Director

Upper Management and Other Key Accounting Personnel August 31, 2010



Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

February 18, 2011

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, 2010 and 2009, 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, 2010 and 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2011, 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.

The Management's Discussion and Analysis on pages 2-8 and the pension and other postemployment benefits supplementary information on pages 35-36 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary financial schedules have been subjected to the auditing procedures applied in the audit of the 2010 financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the 2010 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 years ended August 31, 2010, 2009 and 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 \$193,832,226 (*net assets*). Of this amount, \$8,557,259 (*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 \$4,398,764 for fiscal 2010 and by \$4,576,390 for fiscal 2009.
- The Authority's total long-term debt (i.e., bonds and capital leases) decreased by a net of \$49,243 for fiscal 2010 and \$1,883,499 for fiscal 2009; new debt was incurred during both years 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 two most recent fiscal years. 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 two most recent fiscal years.
- 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 \$193,832,226 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (88.5 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 (7.1 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 two fiscal years.

YCUA's Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$ 17,230,284	\$ 18,043,028	\$ 19,053,198
Restricted assets	13,817,539	13,331,762	12,552,820
Capital assets	<u>238,273,532</u>	<u>241,578,700</u>	<u>248,659,950</u>
Total assets	<u>269,321,355</u>	<u>272,953,490</u>	<u>280,265,968</u>
Long-term liabilities outstanding	69,486,484	69,476,825	71,266,389
Other liabilities	<u>6,002,645</u>	<u>5,245,675</u>	<u>6,192,199</u>
Total liabilities	<u>75,489,129</u>	<u>74,722,500</u>	<u>77,458,588</u>
Net assets:			
Invested in capital assets, net			
of related debt	171,457,428	174,488,753	179,920,448
Restricted	13,817,539	13,331,762	12,552,820
Unrestricted	<u>8,557,259</u>	<u>10,410,475</u>	<u>10,334,112</u>
Total net assets	<u>\$ 193,832,226</u>	<u>\$ 198,230,990</u>	<u>\$ 202,807,380</u>

The Authority's net assets decreased by \$4,398,764 for fiscal 2010 and by \$4,576,390 for fiscal 2009. Key elements of the 2010 decrease include:

- Capital contributions to the Authority were \$3.26 million (\$2.4 million more than last year).
- Water sales increased by \$0.67 million (or .6 percent). There was a 7.1 percent decrease in consumption that was offset by a rate increase of 5.50% in the City and a 5.75% increase in the Township. Corresponding direct costs for water distribution decreased by \$174,000 (or 1.4 percent).
- Sewage disposal sales decreased by \$2.2 million (or 4.3 percent) due primarily to a 26.8% decline in usage from our largest contract customer due to construction delays of improvements to their system. Direct costs for treatment decreased \$1.2 million (or 4.7 percent) due to less usage. Total wastewater generated by the City and Township was flat.
- Total operating expenses decreased by \$1.3 million (or 3.5 percent) primarily reflecting the \$1.2 million decrease (or 2.4 percent) in wastewater treatment costs.
- The city division did not change sewer rates and water rates increased by 5.5%; the surcharge decreased to 76.0 percent. These rates all became effective October 1, 2009.
- The township division sewer rates also did not change and water rates increased 5.75%. The water rate increase became effective October 1, 2009. The surcharge rate remained unchanged at 5.0 percent.

YCUA's Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue	\$ 30,846,675	\$ 33,292,151	\$ 34,394,061
Expenses:			
Water distribution	12,134,221	12,308,463	13,223,394
Wastewater treatment	23,603,944	24,779,892	24,962,815
Total expenses	<u>35,738,165</u>	<u>37,088,355</u>	<u>38,186,209</u>
Operating loss	(4,891,490)	(3,796,204)	(3,792,148)
Nonoperating expense	<u>(2,772,273)</u>	<u>(1,652,447)</u>	<u>(1,596,490)</u>
Loss before contributions and special item	(7,663,763)	(5,448,651)	(5,388,638)
Capital contributions	3,264,999	872,261	2,198,857
Special item	<u>-</u>	<u>-</u>	<u>(43,885)</u>
Change in net assets	(4,398,764)	(4,576,390)	(3,233,666)
Net assets - beginning	<u>198,230,990</u>	<u>202,807,380</u>	<u>206,041,046</u>
Net assets - end of year	<u><u>\$ 193,832,226</u></u>	<u><u>\$ 198,230,990</u></u>	<u><u>\$ 202,807,380</u></u>

Key elements of the 2009 decrease include:

- Capital contributions to the Authority were \$.9 million (\$1.3 million less than last year).
- Water sales decreased by \$0.5 million (or 4.1 percent) due to a 6.5 percent decrease in consumption that was partially offset by rate increases. Corresponding direct costs for water distribution decreased by \$915,000 (or 6.9 percent). The reduction was achieved with a decrease in Detroit water rates along with a decrease in operating costs to deliver water.
- Sewage disposal sales decreased by \$566,000 (or 2.9 percent) due to a 5.4% decline in residential usage and an increase of 3.5% in rates for residential customers; direct costs for treatment decreased \$0.2 million (or .7 percent) due to less usage. 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 decreased 6.9 percent.
- Total operating expenses decreased by \$1 million (or 2.9 percent) primarily reflecting the \$.9 million decrease (or 2.4 percent) in water delivery costs.

- The city division increased sewer rates 3.5 percent and water rates remained the same; the surcharge decreased to 78.0 percent. These rates all became effective October 1, 2008.
- The township division sewer rates increased 3.5 percent and water rates remained the same. The sewer rate increase became effective October 1, 2008. The surcharge rate remained unchanged at 5.0 percent.

Capital Asset and Debt Administration

Capital assets. YCUA's investment in capital assets as of August 31, 2010 amounted to \$238.3 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 \$3.3 million or 1.3 percent. The vast majority of the decrease is attributable to water and wastewater system depreciation.

YCUA's Capital Assets (net of depreciation)

	2010	2009	2008
Land	\$ 1,298,704	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,097,337	1,152,350	1,200,614
Wastewater treatment plan	116,240,391	122,998,528	127,999,487
Water and wastewater systems	110,741,720	110,920,489	106,434,365
Vehicles	684,626	912,596	1,047,706
Equipment	853,860	914,385	1,112,217
Construction in process	7,356,894	3,381,648	9,566,857
Total	<u>\$ 238,273,532</u>	<u>\$ 241,578,700</u>	<u>\$ 248,659,950</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 \$69,481,513 of long-term debt including limited tax obligation bonds, revenue bonds, capital leases and other obligations as summarized below.

YCUA's Outstanding Debt

	2010	2009	2008
Limited tax obligation bonds	\$ 37,035,057	\$ 35,484,300	\$ 35,503,307
Revenue bonds	31,405,000	33,005,000	34,555,000
Capital leases	-	-	205,948
Environmental liability	1,041,456	1,041,456	1,150,000
Total	<u>\$ 69,481,513</u>	<u>\$ 69,530,756</u>	<u>\$ 71,414,255</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 2011. 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 2010. Inflation in the local labor markets will remain moderate, whereas inflation in utility and health care costs will be significant. The Authority has decreased operating costs to the Authority in response to the decreased usage. YCUA has been able to minimize the rate increase passed on by Detroit Water Board and maintain wastewater rates at last year's level.

The Authority's operating budget for fiscal 2011 is approximately \$38.2 million; key provisions include:

- An increase of .3 percent in budgeted operating revenue, attributable to an increase in water rates along with a conservative consumption forecast due to further anticipated economic slowdowns of our residential and manufacturing customers.
- A decrease of 2.0 percent in operating expenses due to reduction in costs for labor and processing related expenses such as chemicals and utilities.

The capital budget for fiscal 2011 totals approximately \$4.4 million due primarily to wastewater plant improvements and water main replacement projects. 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 mains and sanitary sewers 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 2011, about 1.5 miles of water main replacement are scheduled for replacement.

- The city division maintained sewer rates at the same amount and increased water rates by 12.0%; the surcharge decreased to 71.0 percent. These rates all became effective October 1, 2010.
- The township division sewer rates remained the same and water rates increased by 12.00%. The water rate increase became effective October 1, 2010. 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,	
	2010	2009
Assets		
Current assets:		
Cash and investments	\$ 9,089,912	\$ 8,827,608
Receivables, net	5,464,765	6,487,910
Inventories	1,004,050	994,700
Prepaid items	88,705	85,449
Total current assets	15,647,432	16,395,667
Noncurrent assets:		
Restricted assets:		
Cash and investments	11,002,749	10,516,972
Bond reserve funds held by City of Ypsilanti	2,814,790	2,814,790
Receivables, long-term portion	384,950	439,467
Capital assets not being depreciated	8,655,598	4,680,352
Capital assets being depreciated, net	229,617,934	236,898,348
Unamortized bond issuance costs	1,197,902	1,207,894
Total noncurrent assets	253,673,923	256,557,823
Total assets	269,321,355	272,953,490
Liabilities		
Current liabilities:		
Accounts payable	3,238,050	2,316,958
Retentions, deposits and other liabilities	2,199,817	2,359,908
Accrued interest payable	564,778	568,809
Current maturities of long-term liabilities	2,480,000	2,381,000
Current maturities of accrued compensated absences	639,462	672,711
Total current liabilities	9,122,107	8,299,386
Long-term liabilities:		
Bonds payable	65,136,104	65,108,947
Environmental liability	591,456	641,456
Accrued compensated absences	639,462	672,711
Total long-term liabilities	66,367,022	66,423,114
Total liabilities	75,489,129	74,722,500
Net assets		
Invested in capital assets, net of related debt	171,457,428	174,488,753
Restricted for special purposes	13,817,539	13,331,762
Unrestricted	8,557,259	10,410,475
Total net assets	\$ 193,832,226	\$ 198,230,990

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,	
	2010	2009
Operating revenue		
Water sales	\$ 11,896,822	\$ 11,829,728
Sewage disposal sales	13,438,220	15,683,034
Surcharges and other usage fees:		
Capital improvement surcharge	3,449,704	3,503,510
Construction reserve	281,653	313,819
Environmental reserve	93,448	98,601
Other operating revenue	1,686,828	1,863,459
Total operating revenue	<u>30,846,675</u>	<u>33,292,151</u>
Operating expenses		
Water distribution	7,081,762	6,680,598
Wastewater treatment	16,080,897	16,928,838
Wastewater pump stations	1,098,445	1,106,431
Industrial surveillance	378,400	516,865
Transmission and distribution	6,502,734	6,814,592
Meter service	1,038,294	1,281,173
Customer accounting and collections	757,180	842,231
General and administration	2,800,453	2,917,627
Total operating expenses	<u>35,738,165</u>	<u>37,088,355</u>
Operating loss	<u>(4,891,490)</u>	<u>(3,796,204)</u>
Nonoperating income (expense)		
Investment earnings	265,257	462,878
Connection fees	3,751	593,613
Interest and amortization expense	(2,693,219)	(2,712,540)
Gain (loss) on disposal of capital assets	(348,062)	3,602
Total nonoperating income (expense)	<u>(2,772,273)</u>	<u>(1,652,447)</u>
Loss before contributions	(7,663,763)	(5,448,651)
Capital contributions	<u>3,264,999</u>	<u>872,261</u>
Change in net assets	(4,398,764)	(4,576,390)
Net assets, beginning of year	<u>198,230,990</u>	<u>202,807,380</u>
Net assets, end of year	<u>\$ 193,832,226</u>	<u>\$ 198,230,990</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,	
	2010	2009
Cash flows from operating activities		
Receipts from customers and users	\$ 31,924,332	\$ 33,391,885
Payments to suppliers	(11,075,438)	(13,491,000)
Payments to employees and employee benefits	(13,576,771)	(14,024,955)
	<u>7,272,123</u>	<u>5,875,930</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	3,270,756	1,250,993
Proceeds from federal grants for capital assets	3,191,700	-
Payment of bond issuance costs	(72,775)	(33,915)
Bond reserve funds deposited with the City of Ypsilanti	-	(86,318)
Acquisition and construction of capital assets	(7,515,091)	(2,292,964)
Proceeds from sale or disposal of capital assets	334,645	3,602
Principal payments on long-term debt	(3,319,999)	(3,134,492)
Interest payments on long-term debt	(2,682,291)	(2,519,318)
Receipts for debt service costs	-	-
Receipts from capital contributions	-	-
Receipts from connection fees	3,751	593,613
	<u>(6,789,304)</u>	<u>(6,218,799)</u>
Net cash provided by (used in) capital and related financing activities		
Cash flows from investing activities		
Earnings received on investments	265,262	459,403
	<u>265,262</u>	<u>459,403</u>
Net increase (decrease) in cash and investments	748,081	116,534
Cash and investments, beginning of year	19,344,580	19,228,046
	<u>19,344,580</u>	<u>19,228,046</u>
Cash and investments, end of year	<u>\$ 20,092,661</u>	<u>\$ 19,344,580</u>
Reconciliation to statements of net assets		
Cash and investments	\$ 9,089,912	\$ 8,827,608
Restricted cash and investments	11,002,749	10,516,972
	<u>20,092,661</u>	<u>19,344,580</u>
Total cash and investments	<u>\$ 20,092,661</u>	<u>\$ 19,344,580</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Statements of Cash Flows (Concluded)

	For the Year Ended August 31,	
	2010	2009
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (4,891,490)	\$ (3,796,204)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	10,195,891	10,246,475
Amortization of bond issuance costs, discounts and deferred loss on refunding	208,168	203,752
Changes in current assets and liabilities:		
Receivables	1,077,657	99,734
Inventories	(9,350)	89,319
Prepaid items	(3,256)	313
Accounts payable	921,092	12,014
Retentions, deposits and other liabilities	(160,091)	(948,008)
Accrued compensated absences	(66,498)	(31,465)
	\$ 7,272,123	\$ 5,875,930
Net cash provided by operating activities		
	\$ 7,272,123	\$ 5,875,930
Non-cash items		
Capital contributions from developers	\$ 73,299	\$ 872,261
	\$ 73,299	\$ 872,261

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.

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, 2010 and 2009, net interest costs of \$-0- and \$38,214, 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>2010</u>	<u>2009</u>
Statement of Net Assets:		
Cash and investments	\$ 9,089,912	\$ 8,827,608
Restricted cash and investments	<u>11,002,749</u>	<u>10,516,972</u>
Total	<u>\$ 20,092,661</u>	<u>\$ 19,344,580</u>
Deposits and Investments:		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 8,439,691	\$ 9,272,713
Investments in money market accounts	11,652,120	10,071,017
Cash on hand	<u>850</u>	<u>850</u>
Total	<u>\$ 20,092,661</u>	<u>\$ 19,344,580</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, 2010, \$8,058,787 of the Authority's total bank balance of \$9,401,609 (total book balance was \$8,439,691) was exposed to custodial credit risk as it was uninsured and uncollateralized. As of August 31, 2009, \$7,463,652 of the Authority's total bank balance of \$8,806,474 (total book balance was \$9,272,713) 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>2010</u>	<u>2009</u>
Money market accounts	<u>\$ 11,652,120</u>	<u>\$ 10,071,017</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, 2010 and 2009, 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>2010</u>	<u>2009</u>
Accounts	\$ 5,401,138	\$ 6,416,440
Accrued investment interest	9,583	9,588
Benefit charges	9,600	25,514
Special assessments	429,394	475,835
	<u>5,849,715</u>	<u>6,927,377</u>
Less long-term portion of benefit charges and special assessments	<u>(384,950)</u>	<u>(439,467)</u>
Current portion of receivables	<u>\$ 5,464,765</u>	<u>\$ 6,487,910</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.

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>2010</u>	<u>2009</u>
Township bond and interest reserve (Ordinance No. 11, section 13; amended by No. 47)	\$ 301,328	\$ 300,000
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	1,977,578	1,754,074
WWTP future construction reserve (WWTP construction agreement, as amended)	1,017,543	1,008,665
Flexible spending account (IRS regulatory requirement)	2,778	3,653
City construction reserve surcharge (Ordinance No. 697, section 2.137)	1,163,926	1,091,401
City debt retirement and capital improvements surcharge (Ordinance No. 696, amended by Ordinance No. 959)	679,187	788,827
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,334,743	1,313,435
EPA replacement reserve (EPA regulatory requirements)	2,582,935	2,550,141
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,774,739	1,669,962
WTUA construction trust account (WTUA wastewater disposal agreement, as amended)	-	36,814
Construction project bond/capital lease proceeds (Bond ordinances)	167,992	-
	<u>\$ 11,002,749</u>	<u>\$ 10,516,972</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-D. Capital Assets

Capital assets activity for the year ended August 31, 2010 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	<u>3,381,648</u>	<u>7,376,386</u>	<u>(3,401,140)</u>	<u>7,356,894</u>
Total capital assets not being depreciated	<u>4,680,352</u>	<u>7,376,386</u>	<u>(3,401,140)</u>	<u>8,655,598</u>
Capital assets being depreciated:				
Buildings and improvements	2,176,058	-	-	2,176,058
Wastewater treatment plant	179,733,983	415,007	(876,650)	179,272,340
Water and wastewater systems	161,568,450	2,994,436	-	164,562,886
Vehicles	3,363,261	-	-	3,363,261
Equipment	<u>5,122,431</u>	<u>203,701</u>	<u>-</u>	<u>5,326,132</u>
Total capital assets being depreciated	<u>351,964,183</u>	<u>3,613,144</u>	<u>(876,650)</u>	<u>354,700,677</u>
Less accumulated depreciation for:				
Buildings and improvements	1,023,708	55,013	-	1,078,721
Wastewater treatment plant	56,735,455	6,475,477	(178,983)	63,031,949
Water and wastewater systems	50,647,961	3,173,205	-	53,821,166
Vehicles	2,450,665	227,970	-	2,678,635
Equipment	<u>4,208,046</u>	<u>264,226</u>	<u>-</u>	<u>4,472,272</u>
Total accumulated depreciation	<u>115,065,835</u>	<u>10,195,891</u>	<u>(178,983)</u>	<u>125,082,743</u>
Total capital assets being depreciated, net	<u>236,898,348</u>	<u>(6,582,747)</u>	<u>(697,667)</u>	<u>229,617,934</u>
Total capital assets, net	<u>\$ 241,578,700</u>	<u>\$ 793,639</u>	<u>\$ (4,098,807)</u>	<u>\$ 238,273,532</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Capital assets activity for the year ended August 31, 2009 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	9,566,857	1,641,566	(7,826,775)	3,381,648
Total capital assets not being depreciated	<u>10,865,561</u>	<u>1,641,566</u>	<u>(7,826,775)</u>	<u>4,680,352</u>
Capital assets being depreciated:				
Buildings and improvements	2,169,923	6,135	-	2,176,058
Wastewater treatment plant	178,318,661	1,415,322	-	179,733,983
Water and wastewater systems	153,865,897	7,702,553	-	161,568,450
Vehicles	3,258,592	104,669	-	3,363,261
Equipment	5,000,676	121,755	-	5,122,431
Total capital assets being depreciated	<u>342,613,749</u>	<u>9,350,434</u>	<u>-</u>	<u>351,964,183</u>
Less accumulated depreciation for:				
Buildings and improvements	969,309	54,399	-	1,023,708
Wastewater treatment plant	50,319,174	6,416,281	-	56,735,455
Water and wastewater systems	47,431,532	3,216,429	-	50,647,961
Vehicles	2,210,886	239,779	-	2,450,665
Equipment	3,888,459	319,587	-	4,208,046
Total accumulated depreciation	<u>104,819,360</u>	<u>10,246,475</u>	<u>-</u>	<u>115,065,835</u>
Total capital assets being depreciated, net	<u>237,794,389</u>	<u>(896,041)</u>	<u>-</u>	<u>236,898,348</u>
Total capital assets, net	<u>\$248,659,950</u>	<u>\$ 745,525</u>	<u>\$ (7,826,775)</u>	<u>\$241,578,700</u>

The Authority has active construction projects as of August 31, 2010. The primary projects include a energy and process optimization project, pump station upgrades/replacements on Matrz and Willow Run roads along with various other pump station and water main upgrades/replacements and improvements to the wastewater treatment plant.

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, 2010 was \$54,027,318.

During fiscal 2010 and 2009, the cash draws against the Drinking Water Revolving Fund and Clean Water State Revolving Fund bonds amounted to \$3,270,756 and \$1,250,993, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues is \$6,647,133; of this total, \$1,239,455 is still available as of August 31, 2010 and expected to be drawn. No new or refunding bonds were issued during fiscal 2010 or 2009.

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>
2010							
1998 water (DWRF)	Twp	2.50%	\$ 1,782,056	\$ -	\$ (215,000)	\$ 1,567,056	\$ 220,000
1999 water (DWRF)	City	2.50%	575,000	-	(50,000)	525,000	50,000
2000 sewer	Twp	5.00-5.10%	1,850,000	-	(110,000)	1,740,000	120,000
2001 sewer	Twp	4.875%	665,000	-	(155,000)	510,000	160,000
2002 sewer	Twp	3.25-5.00%	7,700,000	-	(285,000)	7,415,000	305,000
2003 water	Twp	3.00-4.35%	1,600,000	-	(75,000)	1,525,000	80,000
2003 water (DWRF)	Twp	2.50%	2,477,426	-	(130,000)	2,347,426	140,000
2006 refunding	Twp	3.75-4.125%	6,700,000	-	(100,000)	6,600,000	100,000
2007 water / refunding	Twp	4.00-4.10%	7,550,000	-	(80,000)	7,470,000	85,000
2007 water (DWRF)	City	2.125%	283,702	-	(10,000)	273,702	10,000
2007 water (DWRF)	Twp	2.125%	1,970,075	-	(85,000)	1,885,075	85,000
2008 water (DWRF)	Twp	2.50%	1,223,603	-	(50,000)	1,173,603	50,000
2008 water (DWRF)	City	2.50%	434,253	-	(15,000)	419,253	20,000
2009 water (DWRF)	City	2.50%	166,967	40,161	(105,000)	102,128	5,000
2009 water (DWRF)	Twp	2.50%	506,218	43,849	(254,999)	295,068	15,000
2010 water (SRF)	Shared	2.50%	-	497,289	-	497,289	-
2010 water (SRF)	Twp	2.50%	-	2,408,711	-	2,408,711	-
2010 water (SRF)	Twp	2.50%	-	280,746	-	280,746	-
			<u>\$ 35,484,300</u>	<u>\$ 3,270,756</u>	<u>\$ (1,719,999)</u>	<u>\$ 37,035,057</u>	<u>\$ 1,445,000</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

<u>2009</u>	<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>
1998 water (DWRF)	Twp	2.50%	\$ 1,992,056	\$ -	\$ (210,000)	\$ 1,782,056	\$ 215,000
1999 water (DWRF)	City	2.50%	620,000	-	(45,000)	575,000	50,000
2000 sewer	Twp	5.00-5.10%	1,955,000	-	(105,000)	1,850,000	110,000
2001 sewer	Twp	4.875%	810,000	-	(145,000)	665,000	155,000
2002 sewer	Twp	3.25-5.00%	7,975,000	-	(275,000)	7,700,000	285,000
2003 water	Twp	3.00-4.35%	1,670,000	-	(70,000)	1,600,000	75,000
2003 water (DWRF)	Twp	2.50%	2,622,426	-	(145,000)	2,477,426	150,000
2006 refunding	Twp	3.75-4.125%	6,800,000	-	(100,000)	6,700,000	100,000
2007 water / refunding	Twp	4.00-4.10%	7,630,000	-	(80,000)	7,550,000	80,000
2007 water (DWRF)	City	2.125%	293,702	-	(10,000)	283,702	10,000
2007 water (DWRF)	Twp	2.125%	2,055,075	-	(85,000)	1,970,075	85,000
2008 water (DWRF)	Twp	2.50%	748,928	474,675	-	1,223,603	50,000
2008 water (DWRF)	City	2.50%	331,120	103,133	-	434,253	15,000
2009 water (DWRF)	City	2.50%	-	166,967	-	166,967	1,000
2009 water (DWRF)	Twp	2.50%	-	506,218	-	506,218	25,000
			<u>\$ 35,503,307</u>	<u>\$ 1,250,993</u>	<u>\$ (1,270,000)</u>	<u>\$ 35,484,300</u>	<u>\$ 1,406,000</u>

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

SRF - Clean 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 August 31,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,445,000	\$ 1,347,366
2012	1,637,000	1,315,427
2013	1,720,000	1,258,195
2014	1,795,000	1,198,439
2015	1,845,000	1,138,218
2016-2020	9,462,056	4,699,772
2021-2025	9,277,426	2,925,187
2026-2030	8,513,030	1,299,578
2031-2032	2,580,000	130,694
	38,274,512	<u>\$ 15,312,876</u>
Less amount remaining to draw on 2010 projects	<u>(1,239,455)</u>	
Total	<u>\$ 37,035,057</u>	

For purposes of presenting the above maturities, the debt amortization schedules for the 2010 projects present the maturities based only on the total authorized debt whereas the debt amortization schedules for the 2009 projects provide maturities based on the draws through August 31, 2010 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, 2010 was \$49,455,000.

No new or refunding bonds were issued during fiscal 2010.

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>
2010							
2001 water and sewer	City	4.25-4.875%	\$ 1,065,000	\$ -	\$ (60,000)	\$ 1,005,000	\$ -
2002A water and sewer	City	4.00-5.00%	1,255,000	-	(70,000)	1,185,000	-
2002B water (DWRf)	City	2.50%	355,000	-	(25,000)	330,000	25,000
2002C water and sewer	City	4.00-4.75%	4,060,000	-	(255,000)	3,805,000	-
2003A water and sewer	City	3.00-4.10%	2,555,000	-	(510,000)	2,045,000	-
2003B water and sewer	City	3.50-4.25%	1,360,000	-	(40,000)	1,320,000	-
2003C water (DWRf)	City	2.50%	625,000	-	(35,000)	590,000	35,000
2003D water (DWRf)	City	2.50%	4,210,000	-	(235,000)	3,975,000	240,000
2004A water and sewer	City	3.30-4.55%	2,405,000	-	(65,000)	2,340,000	-
2004B water (DWRf)	City	2.125%	5,270,000	-	(280,000)	4,990,000	285,000
2006 refunding	City	3.75-4.125%	9,845,000	-	(25,000)	9,820,000	-
			<u>\$ 33,005,000</u>	<u>\$ -</u>	<u>\$ (1,600,000)</u>	<u>\$ 31,405,000</u>	<u>\$ 585,000</u>
2009							
2001 water and sewer	City	4.25-4.875%	\$ 1,110,000	\$ -	\$ (45,000)	\$ 1,065,000	\$ -
2002A water and sewer	City	4.00-5.00%	1,310,000	-	(55,000)	1,255,000	-
2002B water (DWRf)	City	2.50%	380,000	-	(25,000)	355,000	25,000
2002C water and sewer	City	4.00-4.75%	4,305,000	-	(245,000)	4,060,000	-
2003A water and sewer	City	3.00-4.10%	3,080,000	-	(525,000)	2,555,000	-
2003B water and sewer	City	3.50-4.25%	1,390,000	-	(30,000)	1,360,000	-
2003C water (DWRf)	City	2.50%	660,000	-	(35,000)	625,000	35,000
2003D water (DWRf)	City	2.50%	4,440,000	-	(230,000)	4,210,000	235,000
2004A water and sewer	City	3.30-4.55%	2,465,000	-	(60,000)	2,405,000	-
2004B water (DWRf)	City	2.125%	5,545,000	-	(275,000)	5,270,000	280,000
2006 refunding	City	3.75-4.125%	9,870,000	-	(25,000)	9,845,000	-
			<u>\$ 34,555,000</u>	<u>\$ -</u>	<u>\$ (1,550,000)</u>	<u>\$ 33,005,000</u>	<u>\$ 575,000</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 August 31,</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 585,000	\$ 1,133,888
2012	1,660,000	1,081,313
2013	1,725,000	1,025,354
2014	1,780,000	965,493
2015	1,840,000	909,074
2016-2020	9,270,000	3,548,649
2021-2025	10,400,000	1,772,999
2026-2028	4,145,000	249,922
	<u>\$ 31,405,000</u>	<u>\$ 10,686,692</u>

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

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. During fiscal year 2009, following receipt of a reimbursement request from General Motors Corporation, the Authority made a payment of \$108,544 to cover costs from 1998 through 2007. No payments were made during fiscal year 2010.

Accordingly, the Authority's obligation for this matter is carried on the financial statements until it is released from the agreement and by the EPA. Of the total liability, \$450,000 is reported as a current liability (i.e., one payment of \$250,000 and four payments of \$50,000 each) and \$591,456 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Changes in long-term debt. Following is a summary of long-term debt activity for the year ended August 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$ 35,484,300	\$ 3,270,756	\$ (1,719,999)	\$ 37,035,057	\$ 1,445,000
Revenue bonds	33,005,000	-	(1,600,000)	31,405,000	585,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	1,345,422	871,460	(937,958)	1,278,924	639,462
	70,876,178	4,142,216	(4,257,957)	70,760,437	3,119,462
Deduct deferred amounts for:					
Issuance discounts	(532,727)	-	32,173	(500,554)	-
Deferred loss on refunding	(866,626)	-	93,227	(773,399)	-
	\$ 69,476,825	\$ 4,142,216	\$ (4,132,557)	\$ 69,486,484	\$ 3,119,462

3-F. Capital Contributions

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

	2010	2009
Western Townships Utility Authority	\$ 63,599	\$ 94,732
Federal government	3,191,700	-
Private developers	9,700	777,529
Total	\$ 3,264,999	\$ 872,261

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

4-B. Contingent Liabilities

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

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

4-C. Postemployment Benefits

The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer other postemployment benefit (OPEB) plan that 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. MERS issues a publicly available financial report that includes financial statements and required supplementary information, which may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

The Authority had 69 retirees that were eligible and receiving benefits for the year ended August 31, 2010. Plan participants are not required to contribute to the plan. Administrative costs of the plan are paid for by the Authority.

The Authority has no obligation to make contributions in advance of when the insurance premiums or benefits are due for payment; in other words, the plan may be financed on a pay-as-you-go basis. However, under applicable financial reporting standards, as a single-purpose government reported in a single enterprise fund, the Authority would be required to record a fund liability for any net OPEB obligation, as described below.

For the year ended August 31, 2010, the Authority estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2007. Such a valuation computes an annual required contribution (ARC) that represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current combined ARC is 31.42% of annual covered payroll.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

For fiscal 2010, the components of the Authority's annual OPEB cost for the year, the amount actually contributed to the plan (including pay-as-you-go amounts), and changes in the Authority's net OPEB obligation to the plan are as follows:

Annual required contribution	\$ 2,426,808
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	2,426,808
Payments of current costs	(2,426,808)
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	\$ -

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last year (since implementation of the applicable financial reporting standards) were as follows:

Year Ended	Annual Required Contribution	Actual Contribution	Percentage of ARC Contributed	Net OPEB Asset
8/31/09	\$ 2,322,304	\$ 2,322,304	100.0%	\$ -
8/31/10	2,426,808	2,426,808	100.0%	-

The funded status of the plan as of December 31, 2007, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 31,101,121
Actuarial value of plan assets	2,985,517
Unfunded actuarial accrued liability (UAAL)	\$ 28,115,604
Funded ratio	9.6%
Covered payroll (active plan members)	\$ 7,722,755
UAAL as a percentage of covered payroll	364.1%

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Significant methods and assumptions were as follows:

Actuarial valuation date	12/31/2007
Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll open
Remaining amortization period	27 years
Asset valuation method	Market value
Discount rate	8.0%
Projected salary increases	4.5%
Healthcare inflation rate	10.0% grading to 4.5% ultimately

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 MERS at 1134 Municipal Way, Lansing, Michigan 48917.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

The Authority is required to contribute at an actuarially determined rate; the current overall rate is 13.92% 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, 2010, the Authority's annual pension cost of \$1,046,865 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2009 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 8.4% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS pension 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, 2009, 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>
2008	\$ 1,146,712	100%	\$ -
2009	1,213,837	100	-
2010	1,046,865	100	-

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/07	\$26,567,938	\$37,824,856	\$11,256,918	70%	\$7,954,021	142%
12/31/08	27,456,016	40,050,833	12,594,817	69%	8,125,523	155%
12/31/09	28,091,431	40,184,091	12,092,060	70%	7,557,538	160%

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. Subsequent Event

On September 14, 2010, the Authority issued bonds for \$1,650,812 for water improvement projects. The notes bear interest from 2.000% to 3.125% and are due at various maturity dates.

4-G. 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, 2010 is presented on the next page.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Condensed Statement of Net Assets

	City	Township	Totals
Current and other assets	\$ 11,619,551	\$ 19,428,272	\$ 31,047,823
Capital assets	70,395,304	167,878,228	238,273,532
Total assets	82,014,855	187,306,500	269,321,355
Long-term liabilities	32,553,239	36,933,245	69,486,484
Other liabilities	1,031,859	4,970,786	6,002,645
Total liabilities	33,585,098	41,904,031	75,489,129
Invested in capital assets, net of related debt	38,404,787	133,052,641	171,457,428
Restricted	6,418,357	7,399,182	13,817,539
Unrestricted	3,606,613	4,950,646	8,557,259
Total net assets	\$ 48,429,757	\$ 145,402,469	\$ 193,832,226

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	City			Township			Totals
	Water	Wastewater	Total	Water	Wastewater	Total	
Operating revenue	\$3,506,757	\$ 4,744,588	\$ 8,251,345	\$10,424,412	\$12,170,918	\$ 22,595,330	\$ 30,846,675
Operating expenses:							
Depreciation	819,844	1,748,180	2,568,024	1,252,140	6,375,727	7,627,867	10,195,891
Other operating	1,814,167	3,659,999	5,474,166	8,248,070	11,820,038	20,068,108	25,542,274
	2,634,011	5,408,179	8,042,190	9,500,210	18,195,765	27,695,975	35,738,165
Operating income (loss)	872,746	(663,591)	209,155	924,202	(6,024,847)	(5,100,645)	(4,891,490)
Nonoperating income (expense)	(473,429)	(833,870)	(1,307,299)	(243,992)	(1,220,982)	(1,464,974)	(2,772,273)
Capital contributions	177,462	20,839	198,301	3,007,995	58,703	3,066,698	3,264,999
Change in net assets	\$ 576,779	\$ (1,476,622)	(899,843)	\$ 3,688,205	\$ (7,187,126)	(3,498,921)	(4,398,764)
Net assets:							
Beginning of year			49,329,600			148,901,390	198,230,990
End of year			\$ 48,429,757			\$ 145,402,469	\$ 193,832,226

REQUIRED SUPPLEMENTAL INFORMATION

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Defined Benefit Pension Plan

GASB Statement 25 Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation as of December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2003	\$ 20,994,213	\$ 29,319,302	\$ 8,325,089	71.6%	\$ 6,768,365	123.0%
2004	22,212,469	31,546,256	9,333,787	70.4%	6,738,337	138.5%
2005	23,276,154	33,270,928	9,994,774	70.0%	7,186,387	139.1%
2006	24,848,546	35,783,703	10,935,157	69.4%	7,803,193	140.1%
2007	26,567,938	37,824,856	11,256,918	70.2%	7,954,021	141.5%
2008	27,456,016	40,050,833	12,594,817	68.6%	8,125,523	155.0%
2009	28,091,431	40,184,091	12,092,660	69.9%	7,557,538	160.0%

Schedule of Employer Contributions

Fiscal Year Ended August 31	Annual Contribution		Percentage Contributed
	Required	Actual	
2004	\$ 775,472	\$ 775,472	100.0%
2005	925,863	925,863	100.0%
2006	1,039,502	1,039,502	100.0%
2007	1,155,082	1,155,082	100.0%
2008	1,146,712	1,146,712	100.0%
2009	1,213,837	1,213,837	100.0%
2010	1,046,865	1,046,865	100.0%

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Other Postemployment Benefits

GASB Statement 43 Required Supplementary Information

Schedule of Funding Progress

Actuarial Valuation as of December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2007	\$ 2,985,517	\$ 31,101,121	\$ 28,115,604	9.6%	\$ 7,722,755	364.1%

Schedule of Employer Contributions

Fiscal Year Ended August 31	Annual Contribution		Percentage Contributed
	Required	Actual	
2009	\$ 2,322,304	\$ 2,322,304	100.0%
2010	2,426,808	2,426,808	100.0%

SUPPLEMENTAL 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, 2010

	<u>City</u>	<u>Township</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 1,959,836	\$ 9,936,986	\$ 11,896,822
Sewage disposal sales	2,908,831	10,529,389	13,438,220
Surcharges and other usage fees:			
Capital improvement surcharge	2,923,131	526,573	3,449,704
Construction reserve	67,225	214,428	281,653
Environmental reserve	-	93,448	93,448
Other operating revenue	392,322	1,294,506	1,686,828
	<u>8,251,345</u>	<u>22,595,330</u>	<u>30,846,675</u>
Total operating revenue			
Operating expenses			
Water distribution	1,104,248	5,977,514	7,081,762
Wastewater treatment	3,772,580	12,308,317	16,080,897
Wastewater pump stations	261,659	836,786	1,098,445
Industrial surveillance	88,772	289,628	378,400
Transmission and distribution	1,741,448	4,761,286	6,502,734
Meter service	239,901	798,393	1,038,294
Customer accounting and collections	175,060	582,120	757,180
General and administration	658,522	2,141,931	2,800,453
	<u>8,042,190</u>	<u>27,695,975</u>	<u>35,738,165</u>
Total operating expenses			
Operating income (loss)	<u>209,155</u>	<u>(5,100,645)</u>	<u>(4,891,490)</u>
Nonoperating income (expense)			
Investment earnings	98,523	166,734	265,257
Connection fees	3,751	-	3,751
Interest and amortization expense	(1,311,768)	(1,381,451)	(2,693,219)
Gain (loss) on disposal of capital assets	(97,805)	(250,257)	(348,062)
	<u>(1,307,299)</u>	<u>(1,464,974)</u>	<u>(2,772,273)</u>
Nonoperating expense			
Loss before contributions and special item	(1,098,144)	(6,565,619)	(7,663,763)
Capital contributions	<u>198,301</u>	<u>3,066,698</u>	<u>3,264,999</u>
Change in net assets	(899,843)	(3,498,921)	(4,398,764)
Net assets, beginning of year	<u>49,329,600</u>	<u>148,901,390</u>	<u>198,230,990</u>
Net assets, end of year	<u>\$ 48,429,757</u>	<u>\$ 145,402,469</u>	<u>\$ 193,832,226</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Assets
Water and Wastewater Allocation
For the Year Ended August 31, 2010

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 11,896,822	\$ -	\$ 11,896,822
Sewage disposal sales	-	13,438,220	13,438,220
Surcharges and other usage fees:			
Capital improvement surcharge	1,778,112	1,671,592	3,449,704
Construction reserve	149,660	131,993	281,653
Environmental reserve	-	93,448	93,448
Other operating revenue	106,575	1,580,253	1,686,828
	<u>13,931,169</u>	<u>16,915,506</u>	<u>30,846,675</u>
Operating expenses			
Water distribution	7,081,762	-	7,081,762
Wastewater treatment	-	16,080,897	16,080,897
Wastewater pump stations	-	1,098,445	1,098,445
Industrial surveillance	-	378,400	378,400
Transmission and distribution	2,979,946	3,522,788	6,502,734
Meter service	519,145	519,149	1,038,294
Customer accounting and collections	378,589	378,591	757,180
General and administration	1,174,779	1,625,674	2,800,453
	<u>12,134,221</u>	<u>23,603,944</u>	<u>35,738,165</u>
Total operating expenses	<u>12,134,221</u>	<u>23,603,944</u>	<u>35,738,165</u>
Operating income (loss)	<u>1,796,948</u>	<u>(6,688,438)</u>	<u>(4,891,490)</u>
Nonoperating income (expense)			
Investment earnings	140,187	125,070	265,257
Connection fees	1,876	1,875	3,751
Interest and amortization expense	(859,484)	(1,833,735)	(2,693,219)
Gain (loss) on disposal of capital assets	-	(348,062)	(348,062)
	<u>(717,421)</u>	<u>(2,054,852)</u>	<u>(2,772,273)</u>
Nonoperating loss	<u>(717,421)</u>	<u>(2,054,852)</u>	<u>(2,772,273)</u>
Income (loss) before contributions and special item	1,079,527	(8,743,290)	(7,663,763)
Capital contributions	<u>3,185,457</u>	<u>79,542</u>	<u>3,264,999</u>
Change in net assets	<u>\$ 4,264,984</u>	<u>\$ (8,663,748)</u>	<u>\$ (4,398,764)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues and Expenses
Water and Wastewater Allocation by Member
For the Year Ended August 31, 2010

	City		
	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 1,959,836	\$ -	\$ 1,959,836
Sewage disposal sales	-	2,908,831	2,908,831
Surcharges and other usage fees:			
Capital improvement surcharge	1,477,921	1,445,210	2,923,131
Construction reserve	34,352	32,873	67,225
Environmental reserve	-	-	-
Other operating revenue	34,648	357,674	392,322
Total operating revenue	3,506,757	4,744,588	8,251,345
Operating expenses			
Water distribution	1,104,248	-	1,104,248
Wastewater treatment	-	3,772,580	3,772,580
Wastewater pump stations	-	261,659	261,659
Industrial surveillance	-	88,772	88,772
Transmission and distribution	1,045,781	695,667	1,741,448
Meter service	119,943	119,958	239,901
Customer accounting and collections	87,528	87,532	175,060
General and administration	276,511	382,011	658,522
Total operating expenses	2,634,011	5,408,179	8,042,190
Operating income (expense)	872,746	(663,591)	209,155
Non-operating income (expense)			
Investment earnings	49,516	49,007	98,523
Connection fees	1,876	1,875	3,751
Interest and amortization expense	(524,821)	(786,947)	(1,311,768)
Gain (loss) on disposal of capital assets	-	(97,805)	(97,805)
Non-operating income (expense)	(473,429)	(833,870)	(1,307,299)
Income (loss) before contributions	399,317	(1,497,461)	(1,098,144)
Capital contributions	177,462	20,839	198,301
Change in net assets	\$ 576,779	\$ (1,476,622)	\$ (899,843)

Township			
Water	Wastewater	Total	Total
\$ 9,936,986	\$ -	\$ 9,936,986	\$ 11,896,822
-	10,529,389	10,529,389	13,438,220
300,191	226,382	526,573	3,449,704
115,308	99,120	214,428	281,653
-	93,448	93,448	93,448
71,927	1,222,579	1,294,506	1,686,828
<u>10,424,412</u>	<u>12,170,918</u>	<u>22,595,330</u>	<u>30,846,675</u>
5,977,514	-	5,977,514	7,081,762
-	12,308,317	12,308,317	16,080,897
-	836,786	836,786	1,098,445
-	289,628	289,628	378,400
1,934,165	2,827,121	4,761,286	6,502,734
399,202	399,191	798,393	1,038,294
291,061	291,059	582,120	757,180
898,268	1,243,663	2,141,931	2,800,453
<u>9,500,210</u>	<u>18,195,765</u>	<u>27,695,975</u>	<u>35,738,165</u>
<u>924,202</u>	<u>(6,024,847)</u>	<u>(5,100,645)</u>	<u>(4,891,490)</u>
90,671	76,063	166,734	265,257
-	-	-	3,751
(334,663)	(1,046,788)	(1,381,451)	(2,693,219)
-	(250,257)	(250,257)	(348,062)
<u>(243,992)</u>	<u>(1,220,982)</u>	<u>(1,464,974)</u>	<u>(2,772,273)</u>
680,210	(7,245,829)	(6,565,619)	(7,663,763)
<u>3,007,995</u>	<u>58,703</u>	<u>3,066,698</u>	<u>3,264,999</u>
<u>\$ 3,688,205</u>	<u>\$ (7,187,126)</u>	<u>\$ (3,498,921)</u>	<u>\$ (4,398,764)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
City and Township Allocation
For the Year Ended August 31, 2010

	<u>City</u>	<u>Township</u>	<u>Total</u>
Water distribution			
Wages	\$ 60,150	\$ 316,492	\$ 376,642
Benefits allocation	45,991	241,991	287,982
Purchased water	958,215	5,041,879	6,000,094
Utilities	2,909	182,544	185,453
Maintenance and supplies	3,145	16,551	19,696
Computers, copiers and printers	68	361	429
Third party systems support	1,038	5,462	6,500
Professional services	2,498	13,143	15,641
Engineering	695	3,660	4,355
Depreciation	3,616	19,025	22,641
Other	4,788	25,197	29,985
Fleet allocation	89	471	560
Maintenance allocation	21,046	110,738	131,784
	<u>1,104,248</u>	<u>5,977,514</u>	<u>7,081,762</u>
Wastewater treatment			
Wages	319,706	1,043,065	1,362,771
Benefits allocation	244,449	797,533	1,041,982
Utilities	558,667	1,822,690	2,381,357
Sludge removal	53,194	173,550	226,744
Maintenance and supplies	86,710	282,897	369,607
Computers, copiers and printers	1,955	6,378	8,333
Third party systems support	4,184	13,649	17,833
Professional services	56,383	183,952	240,335
Laboratory	5,860	19,118	24,978
Chemicals	95,900	312,881	408,781
Depreciation	1,575,500	5,140,185	6,715,685
Other	7,192	23,461	30,653
Fleet allocation	101,749	331,965	433,714
Maintenance allocation	522,472	1,704,604	2,227,076
Laboratory allocation	138,659	452,389	591,048
	<u>3,772,580</u>	<u>12,308,317</u>	<u>16,080,897</u>
Wastewater pump stations			
Wages	62,870	205,118	267,988
Benefits allocation	48,071	156,834	204,905
Utilities	122,831	383,856	506,687
Maintenance and supplies	16,454	53,681	70,135
Computers, copiers and printers	146	475	621
Professional services	8,493	27,710	36,203
Depreciation	2,697	8,799	11,496
Other	97	313	410
	<u>261,659</u>	<u>836,786</u>	<u>1,098,445</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2010

	<u>City</u>	<u>Township</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ 43,215	\$ 140,991	\$ 184,206
Benefits allocation	33,042	107,803	140,845
Maintenance and supplies	2,352	7,672	10,024
Computers, copiers and printers	26	84	110
Third party systems support	86	281	367
Professional services	2,520	8,223	10,743
Depreciation	26	86	112
Other	1,502	4,901	6,403
Fleet allocation	6,003	19,587	25,590
	<u>88,772</u>	<u>289,628</u>	<u>378,400</u>
Transmission and distribution			
Wages	393,566	1,155,908	1,549,474
Benefits allocation	300,924	883,813	1,184,737
Utilities	13,134	38,578	51,712
Sewer overflow settlements	7,689	134,265	141,954
Maintenance:			
Shop and office	4,699	13,798	18,497
Water and sewer mains	50,143	150,890	201,033
Computers, copiers and printers	486	1,427	1,913
Third party systems support	1,441	4,233	5,674
Professional services	1,174	3,450	4,624
Engineering	64	187	251
Depreciation	881,126	2,120,801	3,001,927
Other	5,206	13,706	18,912
Fleet allocation	69,189	203,205	272,394
Maintenance allocation	12,607	37,025	49,632
	<u>1,741,448</u>	<u>4,761,286</u>	<u>6,502,734</u>
Meter service			
Wages	110,701	368,109	478,810
Benefits allocation	84,642	281,459	366,101
Utilities	636	2,764	3,400
Maintenance and supplies	401	1,338	1,739
Computers, copiers and printers	82	273	355
Third party systems support	1,137	3,783	4,920
Professional services	309	1,029	1,338
Meter parts	255	845	1,100
Depreciation	35,089	116,681	151,770
Other	1,162	3,863	5,025
Fleet allocation	5,487	18,249	23,736
	<u>239,901</u>	<u>798,393</u>	<u>1,038,294</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2010

	<u>City</u>	<u>Township</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 78,625	\$ 261,448	\$ 340,073
Benefits allocation	60,117	199,905	260,022
Utilities	4,684	15,577	20,261
Maintenance and supplies	4,665	15,513	20,178
Computers, copiers and printers	1,881	6,254	8,135
Third party systems support	6,161	20,487	26,648
Postage	15,717	52,263	67,980
Depreciation	2,871	9,547	12,418
Other	339	1,126	1,465
	<u>175,060</u>	<u>582,120</u>	<u>757,180</u>
General and administrative			
Wages	145,877	475,936	621,813
Benefits allocation	111,539	363,903	475,442
Maintenance and supplies	581	1,895	2,476
Computers, copiers and printers	872	2,847	3,719
Third party systems support	1,440	4,697	6,137
Engineering	713	2,326	3,039
Building and liability insurance	51,184	166,990	218,174
Legal services	1,121	3,657	4,778
Professional services	12	40	52
Depreciation	4,825	15,741	20,566
Other	4,486	12,706	17,192
Bad debt expense	1,164	1,255	2,419
Fleet allocation	11,480	37,456	48,936
Maintenance allocation	170	553	723
Human resource allocation	207,918	680,832	888,750
Accounting allocation	115,140	371,097	486,237
	<u>658,522</u>	<u>2,141,931</u>	<u>2,800,453</u>
Fleet			
Wages	42,068	132,478	174,546
Benefits allocation	32,165	101,294	133,459
Radio maintenance	473	1,491	1,964
Maintenance parts and supplies	18,791	59,175	77,966
Third party systems support	635	2,001	2,636
Professional services	3,822	12,036	15,858
Gas, oil and grease	30,753	96,846	127,599
Insurance	9,541	30,046	39,587
Depreciation	55,361	174,344	229,705
Other	388	1,222	1,610
Allocated to various departments	<u>(193,997)</u>	<u>(610,933)</u>	<u>(804,930)</u>
	<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, 2010

	<u>City</u>	<u>Township</u>	<u>Total</u>
Human resources			
Wages	\$ 106,001	\$ 347,108	\$ 453,109
Benefits allocation	81,049	265,400	346,449
Safety program	285	934	1,219
Legal services	6,134	20,085	26,219
Physicals	1,521	4,979	6,500
Office supplies	554	1,813	2,367
Computers, copiers and printers	878	2,874	3,752
Third party systems support	2,313	7,575	9,888
Professional services	101	331	432
Depreciation	3,265	10,691	13,956
Other	5,817	19,042	24,859
Allocated to general and administrative	(207,918)	(680,832)	(888,750)
	-	-	-
Benefits and payroll taxes			
Health insurance	948,317	3,105,320	4,053,637
Life insurance	3,337	10,925	14,262
Disability insurance	12,835	42,028	54,863
Social security	135,930	445,110	581,040
Workers compensation	24,418	79,960	104,378
Pension contribution	238,555	781,162	1,019,717
Uniforms	2,892	9,471	12,363
Allocated to various departments	(1,369,502)	(4,484,514)	(5,854,016)
	-	-	-
Maintenance			
Wages	307,400	1,023,898	1,331,298
Benefits allocation	235,040	782,878	1,017,918
Maintenance and supplies	5,917	19,706	25,623
Computers, copiers and printers	504	1,681	2,185
Third party systems support	2,142	7,134	9,276
Depreciation	947	3,153	4,100
Other	4,345	14,470	18,815
Allocated to various departments	(556,295)	(1,852,920)	(2,409,215)
	-	-	-
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
City and Township Allocation
For the Year Ended August 31, 2010

	<u>City</u>	<u>Township</u>	<u>Total</u>
Laboratory			
Wages	\$ 73,710	\$ 240,485	\$ 314,195
Benefits allocation	56,359	183,876	240,235
Maintenance and supplies	3,929	12,820	16,749
Third party systems support	129	422	551
Professional services	1,434	4,679	6,113
Depreciation	2,096	6,839	8,935
Other	1,002	3,268	4,270
Allocated to wastewater treatment	(138,659)	(452,389)	(591,048)
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	47,232	154,100	201,332
Benefits allocation	36,114	117,825	153,939
Office supplies	307	1,000	1,307
Computers, copiers and printers	180	587	767
Third party systems support	986	3,217	4,203
Professional services	15,763	51,427	67,190
Depreciation	606	1,975	2,581
Other	13,952	40,966	54,918
Allocated to general and administrative	(115,140)	(371,097)	(486,237)
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 8,042,190</u>	<u>\$ 27,695,975</u>	<u>\$ 35,738,165</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
Water and Wastewater Allocation
For the Year Ended August 31, 2010

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Water distribution			
Wages	\$ 376,642	\$ -	\$ 376,642
Benefits allocation	287,982	-	287,982
Purchased water	6,000,094	-	6,000,094
Utilities	185,453	-	185,453
Maintenance and supplies	19,696	-	19,696
Computers, copiers and printers	429	-	429
Third party systems support	6,500	-	6,500
Professional services	15,641	-	15,641
Engineering	4,355	-	4,355
Depreciation	22,641	-	22,641
Other	29,985	-	29,985
Fleet allocation	560	-	560
Maintenance allocation	131,784	-	131,784
	<u>7,081,762</u>	<u>-</u>	<u>7,081,762</u>
Wastewater treatment			
Wages	-	1,362,771	1,362,771
Benefits allocation	-	1,041,982	1,041,982
Utilities	-	2,381,357	2,381,357
Sludge removal	-	226,744	226,744
Maintenance and supplies	-	369,607	369,607
Computers, copiers and printers	-	8,333	8,333
Third party systems support	-	17,833	17,833
Professional services	-	240,335	240,335
Laboratory	-	24,978	24,978
Chemicals	-	408,781	408,781
Depreciation	-	6,715,685	6,715,685
Other	-	30,653	30,653
Fleet allocation	-	433,714	433,714
Maintenance allocation	-	2,227,076	2,227,076
Laboratory allocation	-	591,048	591,048
	<u>-</u>	<u>16,080,897</u>	<u>16,080,897</u>
Wastewater pump stations			
Wages	-	267,988	267,988
Benefits allocation	-	204,905	204,905
Utilities	-	506,687	506,687
Maintenance and supplies	-	70,135	70,135
Computers, copiers and printers	-	621	621
Professional services	-	36,203	36,203
Depreciation	-	11,496	11,496
Other	-	410	410
	<u>-</u>	<u>1,098,445</u>	<u>1,098,445</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2010

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ -	\$ 184,206	\$ 184,206
Benefits allocation	-	140,845	140,845
Maintenance and supplies	-	10,024	10,024
Computers, copiers and printers	-	110	110
Third party systems support	-	367	367
Professional services	-	10,743	10,743
Depreciation	-	112	112
Other	-	6,403	6,403
Fleet allocation	-	25,590	25,590
	<u>-</u>	<u>378,400</u>	<u>378,400</u>
Transmission and distribution			
Wages	469,491	1,079,983	1,549,474
Benefits allocation	358,975	825,762	1,184,737
Utilities	15,669	36,043	51,712
Sewer overflow settlements	44,286	97,668	141,954
Maintenance:			
Shop and office	5,603	12,894	18,497
Water and sewer mains	60,954	140,079	201,033
Computers, copiers and printers	580	1,333	1,913
Third party systems support	1,719	3,955	5,674
Professional services	1,401	3,223	4,624
Engineering	76	175	251
Depreciation	1,917,909	1,084,018	3,001,927
Other	5,714	13,198	18,912
Fleet allocation	82,533	189,861	272,394
Maintenance allocation	15,036	34,596	49,632
	<u>2,979,946</u>	<u>3,522,788</u>	<u>6,502,734</u>
Meter service			
Wages	239,405	239,405	478,810
Benefits allocation	183,050	183,051	366,101
Utilities	1,700	1,700	3,400
Maintenance and supplies	869	870	1,739
Computers, copiers and printers	178	177	355
Third party systems support	2,460	2,460	4,920
Professional services	669	669	1,338
Meter parts	549	551	1,100
Depreciation	75,885	75,885	151,770
Other	2,512	2,513	5,025
Fleet allocation	11,868	11,868	23,736
	<u>519,145</u>	<u>519,149</u>	<u>1,038,294</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2010

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 170,036	\$ 170,037	\$ 340,073
Benefits allocation	130,011	130,011	260,022
Utilities	10,130	10,131	20,261
Maintenance and supplies	10,089	10,089	20,178
Computers, copiers and printers	4,068	4,067	8,135
Third party systems support	13,324	13,324	26,648
Postage	33,990	33,990	67,980
Depreciation	6,209	6,209	12,418
Other	732	733	1,465
	<u>378,589</u>	<u>378,591</u>	<u>757,180</u>
General and administrative			
Wages	310,907	310,906	621,813
Benefits allocation	237,721	237,721	475,442
Maintenance and supplies	1,238	1,238	2,476
Computers, copiers and printers	1,859	1,860	3,719
Third party systems support	3,069	3,068	6,137
Engineering	1,519	1,520	3,039
Building and liability insurance	109,087	109,087	218,174
Legal services	2,389	2,389	4,778
Professional services	26	26	52
Depreciation	10,283	10,283	20,566
Other	8,597	8,595	17,192
Bad debt expense	1,208	1,211	2,419
Fleet allocation	24,468	24,468	48,936
Maintenance allocation	361	362	723
Human resource allocation	218,929	669,821	888,750
Accounting allocation	243,118	243,119	486,237
	<u>1,174,779</u>	<u>1,625,674</u>	<u>2,800,453</u>
Fleet			
Wages	25,900	148,646	174,546
Benefits allocation	19,804	113,655	133,459
Radio maintenance	291	1,673	1,964
Maintenance parts and supplies	11,569	66,397	77,966
Third party systems support	391	2,245	2,636
Professional services	2,353	13,505	15,858
Gas, oil and grease	18,934	108,665	127,599
Insurance	5,874	33,713	39,587
Depreciation	34,075	195,630	229,705
Other	238	1,372	1,610
Allocated to various departments	(119,429)	(685,501)	(804,930)
	<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, 2010

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Human resources			
Wages	\$ 111,616	\$ 341,493	\$ 453,109
Benefits allocation	85,342	261,107	346,449
Safety program	300	919	1,219
Legal services	6,459	19,760	26,219
Physicals	1,601	4,899	6,500
Office supplies	583	1,784	2,367
Computers, copiers and printers	924	2,828	3,752
Third party systems support	2,436	7,452	9,888
Professional services	106	326	432
Depreciation	3,438	10,518	13,956
Other	6,124	18,735	24,859
Allocated to general and administrative	<u>(218,929)</u>	<u>(669,821)</u>	<u>(888,750)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Benefits and payroll taxes			
Health insurance	998,546	3,055,091	4,053,637
Life insurance	3,513	10,749	14,262
Disability insurance	13,515	41,348	54,863
Social security	143,130	437,910	581,040
Workers compensation	25,712	78,666	104,378
Pension contribution	251,191	768,526	1,019,717
Uniforms	3,045	9,318	12,363
Allocated to various departments	<u>(1,442,041)</u>	<u>(4,411,975)</u>	<u>(5,854,016)</u>
	<u>-</u>	<u>-</u>	<u>-</u>
Maintenance			
Wages	81,331	1,249,967	1,331,298
Benefits allocation	62,186	955,732	1,017,918
Maintenance and supplies	1,565	24,058	25,623
Computers, copiers and printers	133	2,052	2,185
Third party systems support	567	8,709	9,276
Depreciation	250	3,850	4,100
Other	1,149	17,666	18,815
Allocated to various departments	<u>(147,181)</u>	<u>(2,262,034)</u>	<u>(2,409,215)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
Water and Wastewater Allocation
For the Year Ended August 31, 2010

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Laboratory			
Wages	\$ -	\$ 314,195	\$ 314,195
Benefits allocation	-	240,235	240,235
Maintenance and supplies	-	16,749	16,749
Third party systems support	-	551	551
Professional services	-	6,113	6,113
Depreciation	-	8,935	8,935
Other	-	4,270	4,270
Allocated to wastewater treatment	-	(591,048)	(591,048)
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	100,666	100,666	201,332
Benefits allocation	76,970	76,969	153,939
Office supplies	653	654	1,307
Computers, copiers and printers	384	383	767
Third party systems support	2,101	2,102	4,203
Professional services	33,595	33,595	67,190
Depreciation	1,291	1,290	2,581
Other	27,458	27,460	54,918
Allocated to general and administrative	(243,118)	(243,119)	(486,237)
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 12,134,221</u>	<u>\$ 23,603,944</u>	<u>\$ 35,738,165</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses -
Budget and Actual
For the Year Ended August 31, 2010

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Water distribution				
Wages	\$ 416,856	\$ 416,856	\$ 376,642	\$ (40,214)
Benefits allocation	298,040	298,040	287,982	(10,058)
Purchased water	6,238,042	6,238,042	6,000,094	(237,948)
Utilities	293,560	293,560	185,453	(108,107)
Maintenance and supplies	18,650	18,650	19,696	1,046
Computers, copiers and printers	3,250	3,250	429	(2,821)
Third party systems support	6,488	6,488	6,500	12
Professional services	15,000	15,000	15,641	641
Engineering	6,000	6,000	4,355	(1,645)
Depreciation	182,145	182,145	22,641	(159,504)
Other	50,725	50,725	29,985	(20,740)
Fleet allocation	23,303	23,303	560	(22,743)
Maintenance allocation	105,137	105,137	131,784	26,647
	<u>7,657,196</u>	<u>7,657,196</u>	<u>7,081,762</u>	<u>(575,434)</u>
Wastewater treatment				
Wages	1,782,419	1,782,419	1,362,771	(419,648)
Benefits allocation	1,274,379	1,274,379	1,041,982	(232,397)
Utilities	3,173,823	3,173,823	2,381,357	(792,466)
Sludge removal	372,000	372,000	226,744	(145,256)
Maintenance and supplies	626,500	626,500	369,607	(256,893)
Computers, copiers and printers	39,400	39,400	8,333	(31,067)
Third party systems support	45,000	45,000	17,833	(27,167)
Professional services	180,000	180,000	240,335	60,335
Engineering	40,000	40,000	-	(40,000)
Laboratory	30,000	30,000	24,978	(5,022)
Chemicals	900,000	900,000	408,781	(491,219)
Depreciation	7,055,263	7,055,263	6,715,685	(339,578)
Other	124,650	124,650	30,653	(93,997)
Fleet allocation	372,832	372,832	433,714	60,882
Maintenance allocation	2,710,160	2,710,160	2,227,076	(483,084)
Laboratory allocation	659,726	659,726	591,048	(68,678)
	<u>19,386,152</u>	<u>19,386,152</u>	<u>16,080,897</u>	<u>(3,305,255)</u>
Wastewater pump stations				
Wages	274,113	274,113	267,988	(6,125)
Benefits allocation	195,983	195,983	204,905	8,922
Utilities	734,380	734,380	506,687	(227,693)
Maintenance and supplies	220,000	220,000	70,135	(149,865)
Computers, copiers and printers	-	-	621	621
Professional services	18,600	18,600	36,203	17,603
Engineering	1,000	1,000	-	(1,000)
Depreciation	12,180	12,180	11,496	(684)
Other	1,000	1,000	410	(590)
	<u>1,457,256</u>	<u>1,457,256</u>	<u>1,098,445</u>	<u>(358,811)</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2010

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Industrial surveillance				
Wages	\$ 182,650	\$ 182,650	\$ 184,206	\$ 1,556
Benefits allocation	130,589	130,589	140,845	10,256
Maintenance and supplies	13,000	13,000	10,024	(2,976)
Computers, copiers and printers	300	300	110	(190)
Third party systems support	1,040	1,040	367	(673)
Professional services	18,000	18,000	10,743	(7,257)
Depreciation	242	242	112	(130)
Other	5,900	5,900	6,403	503
Fleet allocation	15,503	15,503	25,590	10,087
	<u>367,224</u>	<u>367,224</u>	<u>378,400</u>	<u>11,176</u>
Transmission and distribution				
Wages	1,760,526	1,760,526	1,549,474	(211,052)
Benefits allocation	1,258,726	1,258,726	1,184,737	(73,989)
Utilities	84,330	84,330	51,712	(32,618)
Sewer overflow settlements	100,000	100,000	141,954	41,954
Maintenance:				
Shop and office	55,250	55,250	18,497	(36,753)
Water and sewer mains	282,500	282,500	201,033	(81,467)
Computers, copiers and printers	4,750	4,750	1,913	(2,837)
Third party systems support	8,644	8,644	5,674	(2,970)
Professional services	-	-	4,624	4,624
Engineering	177,500	177,500	251	(177,249)
Depreciation	3,452,699	3,452,699	3,001,927	(450,772)
Other	34,150	34,150	18,912	(15,238)
Fleet allocation	403,718	403,718	272,394	(131,324)
Maintenance allocation	38,639	38,639	49,632	10,993
	<u>7,661,432</u>	<u>7,661,432</u>	<u>6,502,734</u>	<u>(1,158,698)</u>
Meter service				
Wages	566,263	566,263	478,810	(87,453)
Benefits allocation	404,862	404,862	366,101	(38,761)
Utilities	30,375	30,375	3,400	(26,975)
Maintenance and supplies	6,600	6,600	1,739	(4,861)
Computers, copiers and printers	5,000	5,000	355	(4,645)
Third party systems support	3,709	3,709	4,920	1,211
Professional services	1,000	1,000	1,338	338
Meter parts	90,500	90,500	1,100	(89,400)
Depreciation	264,536	264,536	151,770	(112,766)
Other	14,075	14,075	5,025	(9,050)
Fleet allocation	109,642	109,642	23,736	(85,906)
	<u>1,496,562</u>	<u>1,496,562</u>	<u>1,038,294</u>	<u>(458,268)</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2010

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Customer accounting/collections				
Wages	\$ 386,485	\$ 386,485	\$ 340,073	\$ (46,412)
Benefits allocation	276,326	276,326	260,022	(16,304)
Utilities	22,000	22,000	20,261	(1,739)
Maintenance and supplies	22,300	22,300	20,178	(2,122)
Computers, copiers and printers	34,000	34,000	8,135	(25,865)
Third party systems support	33,700	33,700	26,648	(7,052)
Professional services	4,000	4,000	-	(4,000)
Postage	64,100	64,100	67,980	3,880
Depreciation	30,014	30,014	12,418	(17,596)
Other	7,330	7,330	1,465	(5,865)
	<u>880,255</u>	<u>880,255</u>	<u>757,180</u>	<u>(123,075)</u>
General and administrative				
Wages	579,025	579,025	621,813	42,788
Benefits allocation	413,986	413,986	475,442	61,456
Maintenance and supplies	10,000	10,000	2,476	(7,524)
Computers, copiers and printers	11,000	11,000	3,719	(7,281)
Third party systems support	14,706	14,706	6,137	(8,569)
Engineering	15,000	15,000	3,039	(11,961)
Building and liability insurance	325,000	325,000	218,174	(106,826)
Legal services	195,000	195,000	4,778	(190,222)
Professional services	5,000	5,000	52	(4,948)
Depreciation	20,654	20,654	20,566	(88)
Other	71,400	71,400	17,192	(54,208)
Bad debt expense	51,000	51,000	2,419	(48,581)
Fleet allocation	38,802	38,802	48,936	10,134
Maintenance allocation	20,591	20,591	723	(19,868)
Human resource allocation	744,218	744,218	888,750	144,532
Accounting allocation	456,815	456,815	486,237	29,422
	<u>2,972,197</u>	<u>2,972,197</u>	<u>2,800,453</u>	<u>(171,744)</u>
Fleet				
Wages	172,924	172,924	174,546	1,622
Benefits allocation	123,636	123,636	133,459	9,823
Utilities	3,800	3,800	-	(3,800)
Radio maintenance	4,500	4,500	1,964	(2,536)
Maintenance parts and supplies	103,675	103,675	77,966	(25,709)
Computers, copiers and printers	250	250	-	(250)
Third party systems support	1,548	1,548	2,636	1,088
Professional services	15,000	15,000	15,858	858
Gas, oil and grease	214,500	214,500	127,599	(86,901)
Insurance	60,000	60,000	39,587	(20,413)
Depreciation	260,718	260,718	229,705	(31,013)
Other	3,250	3,250	1,610	(1,640)
Allocated to various departments	(963,801)	(963,801)	(804,930)	158,871
	<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, 2010

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Human resources				
Wages	\$ 302,733	\$ 302,733	\$ 453,109	\$ 150,376
Benefits allocation	218,126	218,126	346,449	128,323
Safety program	8,000	8,000	1,219	(6,781)
Legal services	35,000	35,000	26,219	(8,781)
Physicals	18,000	18,000	6,500	(11,500)
Office supplies	7,300	7,300	2,367	(4,933)
Computers, copiers and printers	13,050	13,050	3,752	(9,298)
Third party systems support	30,000	30,000	9,888	(20,112)
Professional services	22,000	22,000	432	(21,568)
Depreciation	21,045	21,045	13,956	(7,089)
Other	68,964	68,964	24,859	(44,105)
Allocated to general and administrative	(744,218)	(744,218)	(888,750)	(144,532)
	-	-	-	-
Benefits and payroll taxes				
Health insurance	3,908,732	3,908,732	4,053,637	144,905
Life insurance	19,900	19,900	14,262	(5,638)
Disability insurance	84,500	84,500	54,863	(29,637)
Social security	653,610	653,610	581,040	(72,570)
Workers compensation	130,000	130,000	104,378	(25,622)
Pension contribution	1,271,420	1,271,420	1,019,717	(251,703)
Unemployment	18,824	18,824	13,756	(5,068)
Uniforms	20,000	20,000	12,363	(7,637)
Allocated to various departments	(6,106,986)	(6,106,986)	(5,854,016)	252,970
	-	-	-	-
Maintenance				
Wages	1,585,541	1,585,541	1,331,298	(254,243)
Benefits allocation	1,133,617	1,133,617	1,017,918	(115,699)
Maintenance and supplies	51,650	51,650	25,623	(26,027)
Computers, copiers and printers	32,650	32,650	2,185	(30,465)
Third party systems support	26,369	26,369	9,276	(17,093)
Depreciation	4,100	4,100	4,100	-
Other	40,600	40,600	18,815	(21,785)
Allocated to various departments	(2,874,527)	(2,874,527)	(2,409,215)	465,312
	-	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Concluded)
Budget and Actual
For the Year Ended August 31, 2010

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Laboratory				
Wages	\$ 349,790	\$ 349,790	\$ 314,195	\$ (35,595)
Benefits allocation	250,090	250,090	240,235	(9,855)
Maintenance and supplies	30,100	30,100	16,749	(13,351)
Computers, copiers and printers	3,150	3,150	-	(3,150)
Third party systems support	1,338	1,338	551	(787)
Professional services	10,000	10,000	6,113	(3,887)
Depreciation	8,657	8,657	8,935	278
Other	6,600	6,600	4,270	(2,330)
Allocated to wastewater treatment	(659,725)	(659,725)	(591,048)	68,677
	-	-	-	-
Accounting				
Wages	184,601	184,601	201,332	16,731
Benefits allocation	131,985	131,985	153,939	21,954
Office supplies	3,300	3,300	1,307	(1,993)
Computers, copiers and printers	4,750	4,750	767	(3,983)
Third party systems support	5,935	5,935	4,203	(1,732)
Professional services	82,000	82,000	67,190	(14,810)
Depreciation	7,744	7,744	2,581	(5,163)
Other	36,500	36,500	54,918	18,418
Allocated to general and administrative	(456,815)	(456,815)	(486,237)	(29,422)
	-	-	-	-
Total operating expenses	\$ 41,878,274	\$ 41,878,274	\$ 35,738,165	\$ (6,140,109)

STATISTICAL SECTION

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

	2010	2009	2008	2007
Operating revenue				
Water sales	\$ 11,896,822	\$ 11,829,728	\$ 12,338,209	\$ 12,680,932
Sewage disposal sales	13,438,220	15,683,034	16,422,599	16,480,689
Surcharges and other usage fees	3,824,805	3,915,930	4,070,849	4,195,911
Other operating revenue	1,686,828	1,863,459	1,562,404	2,500,151
Sales discounts	(5) -	-	-	-
Total operating revenue	30,846,675	33,292,151	34,394,061	35,857,683
Operating expenses (2)				
Water distribution	7,081,762	6,680,598	7,527,032	7,486,176
Wastewater treatment	16,080,897	16,928,838	17,771,780	16,977,585
Wastewater pump stations	1,098,445	1,106,431	1,145,548	1,054,513
Industrial surveillance	378,400	516,865	336,782	335,299
Transmission and distribution	6,502,734	6,814,592	6,627,636	6,630,235
Meter service	1,038,294	1,281,173	1,436,719	1,518,009
Customer accounting and collections	757,180	842,231	872,717	837,640
General and administration	(1) 2,800,453	2,917,627	2,467,995	2,424,113
Total operating expenses	35,738,165	37,088,355	38,186,209	37,263,570
Operating income (loss)	(4,891,490)	(3,796,204)	(3,792,148)	(1,405,887)
Non-operating income (expense)				
Investment earnings	265,257	462,878	998,650	1,595,219
Connection fees	(3) 3,751	593,613	155,860	265,589
Debt service contributions	-	-	-	63,007
Interest and amortization expense	(2,693,219)	(2,712,540)	(2,783,337)	(2,747,453)
Gain (loss) on disposal of capital assets	(348,062)	3,602	32,337	19,852
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	(2,772,273)	(1,652,447)	(1,596,490)	(803,786)
Income (loss) before contributions and special item	\$ (7,663,763)	\$ (5,448,651)	\$ (5,388,638)	\$ (2,209,673)

(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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 11,542,307	\$ 11,649,244	\$ 9,763,879	\$ 8,616,377	\$ 8,039,879	\$ 7,910,860
13,621,058	13,701,463	14,274,813	13,235,087	12,908,599	13,793,007
4,422,394	4,460,475	3,649,946	2,503,637	1,891,240	1,728,426
2,217,203	2,159,409	2,408,713	2,248,813	2,380,576	2,293,530
-	-	(80,105)	(705,985)	(866,723)	(1,098,363)
<u>31,802,962</u>	<u>31,970,591</u>	<u>30,017,246</u>	<u>25,897,929</u>	<u>24,353,571</u>	<u>24,627,460</u>
7,085,751	6,930,845	5,873,120	5,282,942	4,894,966	4,288,716
13,052,424	10,226,090	10,062,008	10,882,313	9,085,357	8,989,004
883,122	834,416	771,991	805,890	928,166	822,901
335,131	375,466	174,773	146,967	118,270	87,466
6,105,316	5,766,919	4,938,907	5,049,571	3,665,838	3,616,432
1,513,485	1,419,979	1,147,385	1,121,564	845,806	979,284
791,665	720,370	680,264	651,361	523,708	453,677
2,438,567	2,125,010	1,912,661	1,832,080	4,269,158	4,038,730
<u>32,205,461</u>	<u>28,399,095</u>	<u>25,561,109</u>	<u>25,772,688</u>	<u>24,331,269</u>	<u>23,276,210</u>
(402,499)	3,571,496	4,456,137	125,241	22,302	1,351,250
958,973	651,753	1,181,681	21,493	1,034,719	1,231,283
909,761	975,348	2,145,105	1,066,491	-	-
146,476	1,004,525	206,509	211,511	920,478	220,957
(1,109,703)	(951,745)	(1,220,577)	(1,023,113)	(1,709,110)	(1,054,325)
-	(75,287)	(1,969,458)	(2,833)	(66,461)	(465,007)
-	-	-	-	(1,214,715)	(1,218,710)
<u>905,507</u>	<u>1,604,594</u>	<u>343,260</u>	<u>273,549</u>	<u>(1,035,089)</u>	<u>(1,285,802)</u>
<u>\$ 503,008</u>	<u>\$ 5,176,090</u>	<u>\$ 4,799,397</u>	<u>\$ 398,790</u>	<u>\$ (1,012,787)</u>	<u>\$ 65,448</u>

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

	2010	2009	2008	2007
Operating revenue				
Water sales	\$ 1,959,836	\$ 1,903,714	\$ 1,930,661	\$ 1,874,679
Sewage disposal sales	2,908,831	3,353,761	3,505,232	3,311,569
Surcharges and other usage fees	2,990,356	3,043,380	3,155,294	3,154,752
Other operating revenue	392,322	384,288	415,965	998,639
Sales discounts	(5) -	-	-	-
Total operating revenue	8,251,345	8,685,143	9,007,152	9,339,639
Operating expenses (2)				
Water distribution	1,104,248	1,039,709	1,117,918	1,047,563
Wastewater treatment	3,772,580	3,968,120	4,185,210	4,199,045
Wastewater pump stations	261,659	236,208	251,459	232,488
Industrial surveillance	88,772	121,153	78,639	82,920
Transmission and distribution	1,741,448	2,227,406	1,863,539	1,811,269
Meter service	239,901	293,137	336,541	361,620
Customer accounting and collections	175,060	192,787	204,304	199,025
General and administration	(1) 658,522	693,653	583,954	591,252
Total operating expenses	8,042,190	8,772,173	8,621,564	8,525,182
Operating income (loss)	209,155	(87,030)	385,588	814,457
Non-operating income (expense)				
Investment earnings	98,523	160,812	341,508	704,584
Connection fees	(3) 3,751	17,224	2,122	10,455
Debt service contributions	-	-	-	63,007
Interest and amortization expense	(1,311,768)	(1,347,719)	(1,387,097)	(1,238,663)
Gain (loss) on disposal of capital assets	(97,805)	-	-	-
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	(1,307,299)	(1,169,683)	(1,043,467)	(460,617)
Income (loss) before contributions and special item	\$ (1,098,144)	\$ (1,256,713)	\$ (657,879)	\$ 353,840

(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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 1,514,474	\$ 1,813,223	\$ 1,898,864	\$ 1,875,979	\$ 1,844,292	\$ 1,796,994
2,983,581	2,899,389	3,057,411	3,155,582	3,155,163	3,294,403
3,249,101	3,341,073	2,609,737	1,777,612	1,362,058	1,035,565
484,405	475,132	433,067	380,495	463,168	479,546
-	-	2,336	(126,303)	(153,336)	(155,773)
<u>8,231,561</u>	<u>8,528,817</u>	<u>8,001,415</u>	<u>7,063,365</u>	<u>6,671,345</u>	<u>6,450,735</u>
1,035,327	985,830	939,023	926,213	898,123	834,882
3,016,898	2,280,419	2,253,203	2,510,603	2,258,154	2,397,946
170,871	174,512	167,913	160,684	215,444	221,327
77,884	83,730	38,824	33,173	28,844	22,627
1,245,754	1,174,276	1,104,675	1,416,512	843,346	899,403
362,019	334,123	284,106	284,344	218,046	259,904
189,367	169,503	169,654	167,210	138,154	122,494
554,375	460,812	402,537	440,901	1,111,971	1,129,497
<u>6,652,495</u>	<u>5,663,205</u>	<u>5,359,935</u>	<u>5,939,640</u>	<u>5,712,082</u>	<u>5,888,080</u>
<u>1,579,066</u>	<u>2,865,612</u>	<u>2,641,480</u>	<u>1,123,725</u>	<u>959,263</u>	<u>562,655</u>
347,237	219,724	285,942	(12,884)	92,213	256,390
61,780	102,504	26,102	11,406	-	-
146,476	149,273	169,161	211,511	236,052	220,957
(711,028)	(405,501)	(610,808)	(496,504)	(722,772)	(394,423)
-	-	(550,816)	(1,416)	(16,660)	(125,087)
-	-	-	-	(331,253)	(312,721)
<u>(155,535)</u>	<u>66,000</u>	<u>(680,419)</u>	<u>(287,887)</u>	<u>(742,420)</u>	<u>(354,884)</u>
<u>\$ 1,423,531</u>	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</u>	<u>\$ 835,838</u>	<u>\$ 216,843</u>	<u>\$ 207,771</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Operating revenue				
Water sales	\$ 9,936,986	\$ 9,926,014	\$ 10,407,548	\$ 10,806,253
Sewage disposal sales	10,529,389	12,329,273	12,917,367	13,169,120
Surcharges and other usage fees	834,449	872,550	915,555	1,041,159
Other operating revenue	1,294,506	1,479,171	1,146,439	1,501,512
Sales discounts	(5) -	-	-	-
Total operating revenue	<u>22,595,330</u>	<u>24,607,008</u>	<u>25,386,909</u>	<u>26,518,044</u>
Operating expenses (2)				
Water distribution	5,977,514	5,640,889	6,409,114	6,438,613
Wastewater treatment	12,308,317	12,960,718	13,586,570	12,778,540
Wastewater pump stations	836,786	870,223	894,089	822,025
Industrial surveillance	289,628	395,712	258,143	252,379
Transmission and distribution	4,761,286	4,587,186	4,764,097	4,818,966
Meter service	798,393	988,036	1,100,178	1,156,389
Customer accounting and collections	582,120	649,444	668,413	638,615
General and administration	(1) 2,141,931	2,223,974	1,884,041	1,832,861
Total operating expenses	<u>27,695,975</u>	<u>28,316,182</u>	<u>29,564,645</u>	<u>28,738,388</u>
Operating income (loss)	<u>(5,100,645)</u>	<u>(3,709,174)</u>	<u>(4,177,736)</u>	<u>(2,220,344)</u>
Non-operating income (expense)				
Investment earnings	166,734	302,066	657,142	890,635
Connection fees	(3) -	576,389	153,738	255,134
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,381,451)	(1,364,821)	(1,396,240)	(1,508,790)
Gain (loss) on disposal of capital assets	(250,257)	3,602	32,337	19,852
Debt service transfer to County	(4) -	-	-	-
Total non-operating income (expense)	<u>(1,464,974)</u>	<u>(482,764)</u>	<u>(553,023)</u>	<u>(343,169)</u>
Income (loss) before contributions and special item	<u>\$ (6,565,619)</u>	<u>\$ (4,191,938)</u>	<u>\$ (4,730,759)</u>	<u>\$ (2,563,513)</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

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 10,027,833	\$ 9,836,021	\$ 7,865,015	\$ 6,740,398	\$ 6,195,587	\$ 6,113,866
10,637,477	10,802,074	11,217,402	10,079,505	9,753,436	10,498,604
1,173,293	1,119,402	1,040,209	726,025	529,182	692,861
1,732,798	1,684,277	1,975,646	1,868,318	1,917,408	1,813,984
-	-	(82,441)	(579,682)	(713,387)	(942,590)
<u>23,571,401</u>	<u>23,441,774</u>	<u>22,015,831</u>	<u>18,834,564</u>	<u>17,682,226</u>	<u>18,176,725</u>
6,050,424	5,945,015	4,929,893	4,356,729	3,996,843	3,453,834
10,035,526	7,945,671	7,825,218	8,371,710	6,827,203	6,591,058
712,251	659,904	604,078	645,206	712,722	601,574
257,247	291,736	135,949	113,794	89,426	64,839
4,859,562	4,592,643	3,826,206	3,633,059	2,822,492	2,717,029
1,151,466	1,085,856	863,279	837,220	627,760	719,380
602,298	550,867	510,610	484,151	385,554	331,183
1,884,192	1,664,198	1,505,941	1,391,179	3,157,187	2,909,233
<u>25,552,966</u>	<u>22,735,890</u>	<u>20,201,174</u>	<u>19,833,048</u>	<u>18,619,187</u>	<u>17,388,130</u>
<u>(1,981,565)</u>	<u>705,884</u>	<u>1,814,657</u>	<u>(998,484)</u>	<u>(936,961)</u>	<u>788,595</u>
611,736	432,029	895,739	34,377	942,506	974,893
847,981	872,844	2,119,003	1,055,085	-	-
-	855,252	37,348	-	684,426	-
(398,675)	(546,244)	(609,769)	(526,609)	(986,338)	(659,902)
-	(75,287)	(1,418,642)	(1,417)	(49,801)	(339,920)
-	-	-	-	(883,462)	(905,989)
<u>1,061,042</u>	<u>1,538,594</u>	<u>1,023,679</u>	<u>561,436</u>	<u>(292,669)</u>	<u>(930,918)</u>
<u>\$ (920,523)</u>	<u>\$ 2,244,478</u>	<u>\$ 2,838,336</u>	<u>\$ (437,048)</u>	<u>\$ (1,229,630)</u>	<u>\$ (142,323)</u>

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>
2010	\$31,115,683	\$25,491,690	\$ 5,623,993	\$ 6,002,290	0.94
2009	34,348,642	26,841,880	7,506,762	5,653,810	1.33
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

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

(2) Excludes depreciation expense.

(3) Includes bonds and capital leases.