

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, 2011



YPSILANTI COMMUNITY UTILITIES AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2011

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INTRODUCTORY SECTION



February 10, 2012

**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, 2011.

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, 2011 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, 2011 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 of the sewage from Northville, Plymouth and Canton Townships will be diverted to YCUA upon completion of those negotiations. The construction updated equipment, adding 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. The Authority recently requested and was 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. Of the 51.2 MGD of total capacity, WTUA now has rights to use up to 54% of the total plant capacity.

Projects currently under construction include improvements to the Snow Road Pump Station (wastewater), water supply system improvements to be completed on West Cross Street in the City and Golfside Drive in the Township. The Golfside project will also include improvements to a wastewater force main. Sanitary sewer improvements are also planned for the Paint Creek Interceptor south of Interstate 94 in the Township and along Huron Street north of Michigan Avenue in the City. Construction of further odor control measures at the wastewater treatment plant will also be getting underway later this spring.

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, 2010 (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, 2011, there were 71 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

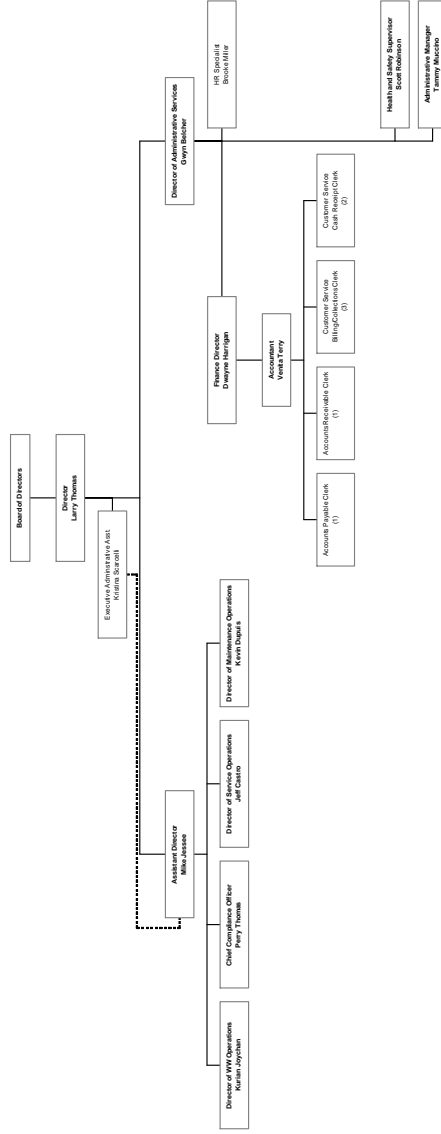
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this 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, 2011



Organizational Chart



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

February 10, 2012

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, 2011 and 2010, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ypsilanti Community Utilities Authority as of August 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2-8 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 2011 financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the 2011 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, 2011, 2010 and 2009. 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 \$188,708,722 (*net assets*). Of this amount, \$9,464,577 (*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 \$5,123,504 for fiscal 2011 and by \$4,398,764 for fiscal 2010.
- The Authority's total long-term debt decreased by a net of \$430,646 for fiscal 2011 and \$249,243 for fiscal 2010; new debt was issued 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 \$188,708,722 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (87.8 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 (7.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Authority's ongoing obligations to system users and creditors.

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

YCUA's Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 16,824,917	\$ 17,230,284	\$ 18,043,028
Restricted assets	13,586,191	13,817,539	13,331,762
Capital assets	232,312,848	238,273,532	241,578,700
Total assets	<u>262,723,956</u>	<u>269,321,355</u>	<u>272,953,490</u>
Long-term liabilities outstanding	69,055,838	69,486,484	69,476,825
Other liabilities	4,959,396	6,002,645	5,245,675
Total liabilities	<u>74,015,234</u>	<u>75,489,129</u>	<u>74,722,500</u>
Net assets:			
Invested in capital assets, net of related debt	165,657,954	171,457,428	174,488,753
Restricted	13,586,191	13,817,539	13,331,762
Unrestricted	9,464,577	8,557,259	10,410,475
Total net assets	<u>\$ 188,708,722</u>	<u>\$ 193,832,226</u>	<u>\$ 198,230,990</u>

The Authority's net assets decreased by \$5,123,504 for fiscal 2011 and \$4,398,764 for fiscal 2010. Key elements of the 2011 decrease include:

- Capital contributions to the Authority were \$.3 million (\$2.9 million less than last year).
- Water sales increased by \$1.3 million (or 10.5 percent). There was a 1.3 percent decrease in consumption that was offset by a rate increase of 12.0% in the City and a 12.0% increase in the Township. Corresponding direct costs for water distribution decreased by \$750,000 (or 6.2 percent).
- Sewage disposal sales increased by \$1.4 million (or 10.4 percent). There was a 10.4 increase in wastewater processed. Direct costs for treatment decreased \$.2 million (or 0.8 percent). Total wastewater billed by the City and Township was down 2.4%.
- Total operating expenses increased by \$.5 million (or 1.4 percent) primarily reflecting the increase for purchasing water from the City of Detroit.
- The city division did not change sewer rates and water rates increased by 12.0%; the surcharge decreased to 71.0 percent. These rates all became effective October 1, 2010.
- The township division sewer rates also did not change and water rates increased 12.0%. The water rate increase became effective October 1, 2010. The surcharge rate remained unchanged at 5.0 percent.

YCUA's Changes in Net Assets

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Operating revenue	\$ 33,347,021	\$ 30,846,675	\$ 33,292,151
Expenses:			
Water distribution	12,902,066	12,134,221	12,308,463
Wastewater treatment	23,393,782	23,603,944	24,779,892
Total expenses	<u>36,295,848</u>	<u>35,738,165</u>	<u>37,088,355</u>
Operating loss	(2,948,827)	(4,891,490)	(3,796,204)
Nonoperating expense	<u>(2,497,994)</u>	<u>(2,772,273)</u>	<u>(1,652,447)</u>
Loss before contributions	(5,446,821)	(7,663,763)	(5,448,651)
Capital contributions	<u>323,317</u>	<u>3,264,999</u>	<u>872,261</u>
Change in net assets	(5,123,504)	(4,398,764)	(4,576,390)
Net assets - beginning	<u>193,832,226</u>	<u>198,230,990</u>	<u>202,807,380</u>
Net assets - end of year	<u>\$ 188,708,722</u>	<u>\$ 193,832,226</u>	<u>\$ 198,230,990</u>

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.

Capital Asset and Debt Administration

Capital assets. YCUA’s investment in capital assets as of August 31, 2011 amounted to \$232.3 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 \$6.0 million or 2.5 percent. The net decrease is primarily attributable to the depreciation of existing plant and systems.

YCUA's Capital Assets (net of depreciation)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$ 1,298,704	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,042,324	1,097,337	1,152,350
Wastewater treatment plant	111,883,238	116,240,391	122,998,528
Water and wastewater systems	109,720,504	110,741,720	110,920,489
Vehicles	953,795	684,626	912,596
Equipment	747,613	853,860	914,385
Construction in process	6,666,670	7,356,894	3,381,648
	<u>6,666,670</u>	<u>7,356,894</u>	<u>3,381,648</u>
Total	<u>\$ 232,312,848</u>	<u>\$ 238,273,532</u>	<u>\$ 241,578,700</u>

Additional information on the Authority’s capital assets can be found in Note 3-D on pages 20-21 of this report.

Long-term debt. At year-end, the Authority had \$68,826,157 of long-term debt including limited tax obligation bonds, revenue bond and other obligations as summarized below.

YCUA's Outstanding Debt

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Limited tax obligation bonds	\$ 38,029,701	\$ 37,035,057	\$ 35,484,300
Revenue bonds	29,755,000	31,405,000	33,005,000
Environmental liability	<u>1,041,456</u>	<u>1,041,456</u>	<u>1,041,456</u>
 Total	 <u>\$ 68,826,157</u>	 <u>\$ 69,481,513</u>	 <u>\$ 69,530,756</u>

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

Economic Factors Affecting Next Year’s Operations and Rates

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

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

Other factors also affect the Authority’s operating plan for fiscal 2012. 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 2011. 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 2012 is approximately \$39.5 million; key provisions include:

- An increase of 6.2 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.

- An increase of 3.67 percent in operating expenses due to the increase of water from the City of Detroit, labor related costs.

The capital budget for fiscal 2012 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 2012, about 1.5 miles of water main replacement are scheduled for replacement.
- The city division increased sewer rates by 3.5% and increased water rates by 7.0%; the surcharge decreased to 68.0 percent. These rates all became effective September 1, 2011.
- The township division increased sewer rates by 3.5% and water rates increased by 7.0%. The rate increase became September 1, 2011. 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,	
	2011	2010
Assets		
Current assets:		
Cash and investments	\$ 8,596,980	\$ 9,089,912
Receivables, net	5,538,276	5,464,765
Inventories	1,037,421	1,004,050
Prepaid items	112,701	88,705
Total current assets	15,285,378	15,647,432
Noncurrent assets:		
Restricted assets:		
Cash and investments	10,771,401	11,002,749
Bond reserve funds held by City of Ypsilanti	2,814,790	2,814,790
Receivables, long-term portion	356,640	384,950
Capital assets not being depreciated	7,965,374	8,655,598
Capital assets being depreciated, net	224,347,474	229,617,934
Unamortized bond issuance costs	1,182,899	1,197,902
Total noncurrent assets	247,438,578	253,673,923
Total assets	262,723,956	269,321,355
Liabilities		
Current liabilities:		
Accounts payable	2,322,633	3,238,050
Retentions, deposits and other liabilities	2,029,486	2,199,817
Accrued interest payable	607,277	564,778
Current maturities of long-term liabilities	2,755,016	2,480,000
Current maturities of accrued compensated absences	679,744	639,462
Total current liabilities	8,394,156	9,122,107
Long-term liabilities:		
Bonds payable	64,349,878	65,136,104
Environmental liability	591,456	591,456
Accrued compensated absences	679,744	639,462
Total long-term liabilities	65,621,078	66,367,022
Total liabilities	74,015,234	75,489,129
Net assets		
Invested in capital assets, net of related debt	165,657,954	171,107,428
Restricted for special purposes	13,586,191	13,817,539
Unrestricted	9,464,577	8,907,259
Total net assets	\$ 188,708,722	\$ 193,832,226

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,	
	2011	2010
Operating revenue		
Water sales	\$ 13,148,378	\$ 11,896,822
Sewage disposal sales	14,805,649	13,438,220
Surcharges and other usage fees:		
Capital improvement surcharge	3,374,244	3,449,704
Construction reserve	283,587	281,653
Environmental reserve	99,344	93,448
Other operating revenue	1,635,819	1,686,828
Total operating revenue	33,347,021	30,846,675
 Operating expenses		
Water distribution	7,792,536	7,081,762
Wastewater treatment	16,017,852	16,080,897
Wastewater pump stations	1,027,107	1,098,445
Industrial surveillance	368,906	378,400
Transmission and distribution	6,706,413	6,502,734
Meter service	1,229,452	1,038,294
Customer accounting and collections	641,919	757,180
General and administration	2,511,663	2,800,453
Total operating expenses	36,295,848	35,738,165
 Operating loss	(2,948,827)	(4,891,490)
 Nonoperating income (expense)		
Investment earnings	237,628	265,257
Connection fees	2,304	3,751
Interest and amortization expense	(2,769,043)	(2,693,219)
Gain (loss) on disposal of capital assets	31,117	(348,062)
Total nonoperating income (expense)	(2,497,994)	(2,772,273)
 Loss before contributions	(5,446,821)	(7,663,763)
 Capital contributions	323,317	3,264,999
 Change in net assets	(5,123,504)	(4,398,764)
 Net assets, beginning of year	193,832,226	198,230,990
 Net assets, end of year	\$ 188,708,722	\$ 193,832,226

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,	
	2011	2010
Cash flows from operating activities		
Receipts from customers and users	\$ 33,301,820	\$ 31,924,332
Payments to suppliers	(13,882,939)	(11,075,438)
Payments to employees and employee benefits	(13,132,400)	(13,576,771)
	6,286,481	7,272,123
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	4,059,644	3,270,756
Proceeds from federal grants for capital assets	62,802	3,191,700
Payment of bond issuance costs	(73,061)	(72,775)
Acquisition and construction of capital assets	(3,907,434)	(7,515,091)
Proceeds from sale or disposal of capital assets	31,117	334,645
Principal payments on long-term debt	(4,715,000)	(3,319,999)
Interest payments on long-term debt	(2,708,761)	(2,682,291)
Receipts from connection fees	2,304	3,751
	(7,248,389)	(6,789,304)
Cash flows from investing activities		
Earnings received on investments	237,628	265,262
	(724,280)	748,081
Net increase (decrease) in cash and investments		
Cash and investments, beginning of year	20,092,661	19,344,580
Cash and investments, end of year	\$ 19,368,381	\$ 20,092,661
Reconciliation to statements of net assets		
Cash and investments	\$ 8,596,980	\$ 9,089,912
Restricted cash and investments	10,771,401	11,002,749
Total cash and investments	\$ 19,368,381	\$ 20,092,661

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Statements of Cash Flows (Concluded)

	For the Year Ended August 31,	
	2011	2010
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (2,948,827)	\$ (4,891,490)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	10,128,633	10,195,891
Amortization of bond issuance costs, discounts and deferred loss on refunding	214,427	208,168
Changes in current assets and liabilities:		
Receivables	(45,201)	1,077,657
Inventories	(33,371)	(9,350)
Prepaid items	(23,996)	(3,256)
Accounts payable	(915,417)	921,092
Retentions, deposits and other liabilities	(170,331)	(160,091)
Accrued compensated absences	80,564	(66,498)
	\$ 6,286,481	\$ 7,272,123
Net cash provided by operating activities		
	\$ 6,286,481	\$ 7,272,123
Non-cash items		
Capital contributions from developers	\$ 260,515	\$ 73,299
	\$ 260,515	\$ 73,299

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.

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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.

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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. No net interest costs were capitalized for fiscal 2011 or 2010.

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.

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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>2011</u>	<u>2010</u>
Statement of Net Assets:		
Cash and investments	\$ 8,596,980	\$ 9,089,912
Restricted cash and investments	<u>10,771,401</u>	<u>11,002,749</u>
Total	<u>\$ 19,368,381</u>	<u>\$ 20,092,661</u>
Deposits and Investments:		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 6,381,520	\$ 8,439,691
Investments in money market accounts	12,986,011	11,652,120
Cash on hand	<u>850</u>	<u>850</u>
Total	<u>\$ 19,368,381</u>	<u>\$ 20,092,661</u>

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, 2011, \$6,141,834 of the Authority's total bank balance of \$6,891,834 (total book balance was \$6,381,520) was exposed to custodial credit risk as it was uninsured and uncollateralized. 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.

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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

	<u>2011</u>	<u>2010</u>
Money market accounts	<u>\$ 12,986,011</u>	<u>\$ 11,652,120</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, 2011 and 2010, 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.

3-B. Receivables

Receivables as of August 31 are summarized as follows:

	<u>2011</u>	<u>2010</u>
Accounts, net of \$25,000 allowance	\$ 5,493,592	\$ 5,401,138
Accrued investment interest	9,583	9,583
Benefit charges	1,484	9,600
Special assessments	<u>390,257</u>	<u>429,394</u>
	5,894,916	5,849,715
Less long-term portion of benefit charges and special assessments	<u>(356,640)</u>	<u>(384,950)</u>
Current portion of receivables	<u><u>\$ 5,538,276</u></u>	<u><u>\$ 5,464,765</u></u>

Special assessments receivable, 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>2011</u>	<u>2010</u>
Township bond and interest reserve (Ordinance No. 11, section 13; amended by No. 47)	\$ 302,211	\$ 301,328
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	1,989,002	1,977,578
WWTP future construction reserve (WWTP construction agreement, as amended)	1,023,814	1,017,543
Flexible spending account (IRS regulatory requirement)	3,227	2,778
City construction reserve surcharge (Ordinance No. 697, section 2.137)	947,207	1,163,926
City debt retirement and capital improvements surcharge (Ordinance No. 696, amended by Ordinance No. 959)	459,850	679,187
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,337,660	1,334,743
EPA replacement reserve (EPA regulatory requirements)	2,811,973	2,582,935
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,879,995	1,774,739
Construction project bond/capital lease proceeds (Bond ordinances)	16,462	167,992
	<u>\$ 10,771,401</u>	<u>\$ 11,002,749</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-D. Capital Assets

Capital assets activity for the year ended August 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	7,356,894	1,632,310	(2,322,534)	6,666,670
Total capital assets not being depreciated	8,655,598	1,632,310	(2,322,534)	7,965,374
Capital assets being depreciated:				
Buildings and improvements	2,176,058	-	-	2,176,058
Wastewater treatment plant	179,272,340	2,081,888	-	181,354,228
Water and wastewater systems	164,562,886	2,222,290	-	166,785,176
Vehicles	3,363,261	425,495	199,888	3,988,644
Equipment	5,326,132	128,500	-	5,454,632
Total capital assets being depreciated	354,700,677	4,858,173	199,888	359,758,738
Less accumulated depreciation for:				
Buildings and improvements	1,078,721	55,013	-	1,133,734
Wastewater treatment plant	63,031,949	6,439,041	-	69,470,990
Water and wastewater systems	53,821,166	3,243,506	-	57,064,672
Vehicles	2,678,635	156,326	199,888	3,034,849
Equipment	4,472,272	234,747	-	4,707,019
Total accumulated depreciation	125,082,743	10,128,633	199,888	135,411,264
Total capital assets being depreciated, net	229,617,934	(5,270,460)	-	224,347,474
Total capital assets, net	\$ 238,273,532	\$ (3,638,150)	\$ (2,322,534)	\$ 232,312,848

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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	3,381,648	7,376,386	(3,401,140)	7,356,894
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	5,122,431	203,701	-	5,326,132
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	4,208,046	264,226	-	4,472,272
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>

The Authority has active construction projects as of August 31, 2011. The primary projects include upgrades to the Holmes road pump station and water mains, pump station upgrades/replacements on Matrz and Willow Run roads, and 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, 2011 was \$57,298,074.

During fiscal 2011 and 2010, the cash draws against the Drinking Water Revolving Fund and Clean Water State Revolving Fund bonds amounted to \$603,832 and \$3,270,756, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$16,647,133 of which \$635,623 is still available and expected to be drawn as of August 31, 2011. Also during fiscal 2011, the Authority issued \$4,740,000 of refunding bonds (of which \$1,650,812 is to be repaid by the Authority and \$3,089,188 by Superior Township) and \$1,805,000 of water supply system bonds.

Limited tax obligation bonds outstanding at August 31 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2011							
1998 water (DWRF)	Twp	2.50%	\$ 1,567,056	\$ -	\$ (220,000)	\$ 1,347,056	\$ 225,000
1999 water (DWRF)	City	2.50%	525,000	-	(50,000)	475,000	50,000
2000 sewer	Twp	5.00-5.10%	1,740,000	-	(1,740,000)	-	-
2001 sewer	Twp	4.875%	510,000	-	(160,000)	350,000	170,000
2002 sewer	Twp	3.25-5.00%	6,600,000	-	(100,000)	6,500,000	110,000
2003 water	Twp	3.00-4.35%	7,415,000	-	(305,000)	7,110,000	320,000
2003 water (DWRF)	Twp	2.50%	7,470,000	-	(85,000)	7,385,000	80,000
2006 refunding	Twp	3.75-4.125%	1,525,000	-	(80,000)	1,445,000	80,000
2007 water / refunding	Twp	4.00-4.10%	2,347,426	-	(140,000)	2,207,426	145,000
2007 water (DWRF)	City	2.125%	273,702	-	(10,000)	263,702	10,000
2007 water (DWRF)	Twp	2.125%	1,885,075	-	(85,000)	1,800,075	90,000
2008 water (DWRF)	Twp	2.50%	1,173,603	-	(50,000)	1,123,603	55,000
2008 water (DWRF)	City	2.50%	419,253	-	(20,000)	399,253	20,000
2009 water (DWRF)	City	2.50%	102,128	26,253	(5,000)	123,381	5,000
2009 water (DWRF)	Twp	2.50%	295,068	5,875	(15,000)	285,943	15,000
2010 water (SRF)	Shared	2.50%	497,289	176,296	-	673,585	-
2010 water (SRF)	Twp	2.50%	2,408,711	262,006	-	2,670,717	120,000
2010 water (SRF)	Twp	2.50%	280,746	133,402	-	414,148	17,000
2010 refunding	Twp	1.50-3.125%	-	1,650,812	-	1,650,812	148,016
2010 water	Twp	4.00-5.00%	-	1,805,000	-	1,805,000	50,000
			<u>\$ 37,035,057</u>	<u>\$ 4,059,644</u>	<u>\$ (3,065,000)</u>	<u>\$ 38,029,701</u>	<u>\$ 1,710,016</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

	<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>

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.

During fiscal 2011, the Authority issued \$1,650,812 of limited tax general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for all future debt service payments of \$1,615,955 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The carrying amount of the old debt exceeded the reacquisition price by \$37,023, which has been added to the new debt and is being amortized over the refunded debt's remaining life. The refunding resulted in a savings of future debt service payments of \$215,836 and an economic gain \$187,341.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,710,016	\$ 1,355,224
2013	1,793,240	1,299,482
2014	1,876,723	1,241,513
2015	1,925,205	1,183,191
2016	2,006,947	1,121,801
2017-2021	9,867,737	4,612,192
2022-2026	9,617,426	2,789,158
2027-2031	8,908,030	1,076,198
2032	960,000	37,515
	38,665,324	<u>\$ 14,716,274</u>
Less amount remaining to draw on outstanding projects	<u>(635,623)</u>	
Total	<u>\$ 38,029,701</u>	

For purposes of presenting the above maturities, the debt amortization schedules for the outstanding projects present the maturities based on the total authorized project amount whereas the debt per the financial statements are based on the actual draws through year end.

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, 2011 was \$49,455,000.

No new or refunding bonds were issued during fiscal 2011 or 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>
<u>2011</u>							
2001 water and sewer	City	4.25-4.875%	\$ 1,005,000	\$ -	\$ (65,000)	\$ 940,000	\$ -
2002A water and sewer	City	4.00-5.00%	1,185,000	-	(85,000)	1,100,000	-
2002B water (DWRf)	City	2.50%	330,000	-	(25,000)	305,000	25,000
2002C water and sewer	City	4.00-4.75%	3,805,000	-	(270,000)	3,535,000	-
2003A water and sewer	City	3.00-4.10%	2,045,000	-	(510,000)	1,535,000	-
2003B water and sewer	City	3.50-4.25%	1,320,000	-	(40,000)	1,280,000	-
2003C water (DWRf)	City	2.50%	590,000	-	(35,000)	555,000	35,000
2003D water (DWRf)	City	2.50%	3,975,000	-	(240,000)	3,735,000	245,000
2004A water and sewer	City	3.30-4.55%	2,340,000	-	(70,000)	2,270,000	-
2004B water (DWRf)	City	2.125%	4,990,000	-	(285,000)	4,705,000	290,000
2006 refunding	City	3.75-4.125%	9,820,000	-	(25,000)	9,795,000	-
			<u>\$ 31,405,000</u>	<u>\$ -</u>	<u>\$ (1,650,000)</u>	<u>\$ 29,755,000</u>	<u>\$ 595,000</u>
<u>2010</u>							
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>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 595,000	\$ 1,081,493
2013	1,725,000	1,025,354
2014	1,780,000	965,960
2015	1,840,000	903,074
2016	1,725,000	840,110
2017-2021	9,600,000	3,213,308
2022-2026	9,795,000	1,411,377
2027-2028	2,695,000	106,775
	<u>\$ 29,755,000</u>	<u>\$ 9,547,451</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 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 have been made since 2007.

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 years ended August 31:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2011					
Limited tax obligation bonds	\$ 37,035,057	\$ 4,059,644	\$ (3,065,000)	\$ 38,029,701	\$ 1,710,016
Revenue bonds	31,405,000	-	(1,650,000)	29,755,000	595,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	1,278,924	1,002,767	(922,203)	1,359,488	679,744
	<u>70,760,437</u>	<u>5,062,411</u>	<u>(5,637,203)</u>	<u>70,185,645</u>	<u>3,434,760</u>
Deduct deferred amounts for:					
Issuance discounts	(500,554)	(19,239)	33,135	(486,658)	-
Deferred loss on refunding	(773,399)	-	93,227	(680,172)	-
Deferred gain on refunding	-	37,023	-	37,023	-
	<u>\$ 69,486,484</u>	<u>\$ 5,080,195</u>	<u>\$ (5,510,841)</u>	<u>\$ 69,055,838</u>	<u>\$ 3,434,760</u>
2010					
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
	<u>70,876,178</u>	<u>4,142,216</u>	<u>(4,257,957)</u>	<u>70,760,437</u>	<u>3,119,462</u>
Deduct deferred amounts for:					
Issuance discounts	(532,727)	-	32,173	(500,554)	-
Deferred loss on refunding	(866,626)	-	93,227	(773,399)	-
	<u>\$ 69,476,825</u>	<u>\$ 4,142,216</u>	<u>\$ (4,132,557)</u>	<u>\$ 69,486,484</u>	<u>\$ 3,119,462</u>

3-F. Capital Contributions

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

	<u>2011</u>	<u>2010</u>
Western Townships Utility Authority	\$ -	\$ 63,599
Federal government	62,802	3,191,700
Private developers	260,515	9,700
Total	<u>\$ 323,317</u>	<u>\$ 3,264,999</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

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

4-B. Contingent Liabilities

Amounts received or receivable from grantor agencies, including amounts borrowed under the 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. 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.

The Authority is required to contribute at an actuarially determined rate; the current overall rate is 15.33% of annual covered payroll. The Authority's non-union and AFSCME unionized employees are required to contribute 3.0% of their annual covered payroll to the plan, whereas Teamster unionized employees are required to contribute 4.0%. 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

For the year ended August 31, 2011, the Authority's annual pension cost of \$1,095,324 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2010 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, 2010, 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>
2009	\$ 1,213,837	100%	\$ -
2010	1,046,865	100	-
2011	1,095,324	100	-

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	<u>(c) Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
12/31/10	\$28,817,702	\$41,318,496	\$12,500,794	70%	\$7,143,311	175%

The accompanying schedule of employer contributions presents trend information about the amounts contributed by the employer in comparison to the ARC (annual required contribution), an amount that is actuarially determined in accordance with the parameters of GASB Statement 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

4-D. 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 71 retirees that were eligible and receiving benefits for the year ended August 31, 2011. 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, 2011, 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 34.78% of annual covered payroll.

For fiscal 2011, 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	\$ 2,598,816
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>2,598,816</u>
Payments of current costs	<u>(2,598,816)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ -</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Asset</u>
8/31/09	\$ 2,322,304	\$ 2,322,304	100.0%	\$ -
8/31/10	2,426,808	2,426,808	100.0%	-
8/31/11	2,598,816	2,598,816	100.0%	-

The funded status of the plan as of December 31, 2010, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 29,443,624
Actuarial value of plan assets	<u>7,127,544</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 22,316,080</u></u>
Funded ratio	24.2%
Covered payroll (active plan members)	7,291,562
UAAL as a percentage of covered payroll	306.1%

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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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	12/31/2010
Actuarial cost method	Individual entry age normal cost
Amortization method	Level percent of payroll closed
Remaining amortization period	24 years
Asset valuation method	Market value
Discount rate	8.0%
Projected salary increases	4.5%
Healthcare inflation rate	9.0% grading to 4.5% ultimately

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 Events

On September 23, 2011, the Authority issued \$3,495,000 of limited tax general bonds for wastewater improvement projects; the bonds bear interest at 2.50% and mature serially through 2032.

On December 14, 2011, the Authority issued \$6,325,000 of refunding bonds at interest rates ranging from 2.00% to 4.00% with maturities through 2026.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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, 2011 is presented on the next page.

Condensed Statement of Net Assets

	<u>City</u>	<u>Township</u>	<u>Totals</u>
Current and other assets	\$ 10,444,046	\$ 19,967,062	\$ 30,411,108
Capital assets	<u>69,173,115</u>	<u>163,139,733</u>	<u>232,312,848</u>
Total assets	<u>79,617,161</u>	<u>183,106,795</u>	<u>262,723,956</u>
Long-term liabilities	30,993,235	38,062,603	69,055,838
Other liabilities	<u>814,120</u>	<u>4,145,276</u>	<u>4,959,396</u>
Total liabilities	<u>31,807,355</u>	<u>42,207,879</u>	<u>74,015,234</u>
Invested in capital assets, net of related debt	38,412,024	127,245,930	165,657,954
Restricted	5,972,750	7,613,441	13,586,191
Unrestricted	<u>3,425,032</u>	<u>6,039,545</u>	<u>9,464,577</u>
Total net assets	<u>\$ 47,809,806</u>	<u>\$ 140,898,916</u>	<u>\$ 188,708,722</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	City			Township			Totals
	Water	Wastewater	Total	Water	Wastewater	Total	
Operating revenue	\$ 3,622,744	\$ 5,020,908	\$ 8,643,652	\$ 11,508,352	\$ 13,195,017	\$ 24,703,369	\$ 33,347,021
Operating expenses:							
Depreciation	826,024	1,725,335	2,551,359	1,264,086	6,313,188	7,577,274	10,128,633
Other operating	1,944,505	3,600,645	5,545,150	8,867,451	11,754,614	20,622,065	26,167,215
	<u>2,770,529</u>	<u>5,325,980</u>	<u>8,096,509</u>	<u>10,131,537</u>	<u>18,067,802</u>	<u>28,199,339</u>	<u>36,295,848</u>
Operating income (loss)	852,215	(305,072)	547,143	1,376,815	(4,872,785)	(3,495,970)	(2,948,827)
Nonoperating income (expense)	(468,287)	(708,893)	(1,177,180)	(276,873)	(1,043,941)	(1,320,814)	(2,497,994)
Capital contributions	10,086	-	10,086	145,550	167,681	313,231	323,317
Change in net assets	<u>\$ 394,014</u>	<u>\$ (1,013,965)</u>	(619,951)	<u>\$ 1,245,492</u>	<u>\$ (5,749,045)</u>	(4,503,553)	(5,123,504)
Net assets:							
Beginning of year			<u>48,429,757</u>			<u>145,402,469</u>	<u>193,832,226</u>
End of year			<u>\$ 47,809,806</u>			<u>\$ 140,898,916</u>	<u>\$ 188,708,722</u>

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%
2010	28,817,702	41,318,496	12,500,794	69.7%	7,143,311	175.0%

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%
2011	1,095,324	1,095,324	100.0%

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Other Postemployment Benefits

GASB Statement 43 Required Supplementary Information

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation as of December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL) (2-1)	Funded Ratio (1/2)	Annual Covered Payroll	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%
2010	7,127,544	29,443,624	22,316,080	24.2%	7,291,562	306.1%

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%
2011	2,598,816	2,598,816	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, 2011

	<u>City</u>	<u>Township</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 2,117,075	\$ 11,031,303	\$ 13,148,378
Sewage disposal sales	3,210,681	11,594,968	14,805,649
Surcharges and other usage fees:			
Capital improvement surcharge	2,837,464	536,780	3,374,244
Construction reserve	68,269	215,318	283,587
Environmental reserve	-	99,344	99,344
Other operating revenue	410,163	1,225,656	1,635,819
 Total operating revenue	 <u>8,643,652</u>	 <u>24,703,369</u>	 <u>33,347,021</u>
Operating expenses			
Water distribution	1,220,447	6,572,089	7,792,536
Wastewater treatment	3,757,790	12,260,062	16,017,852
Wastewater pump stations	199,909	827,198	1,027,107
Industrial surveillance	86,546	282,360	368,906
Transmission and distribution	1,812,792	4,893,621	6,706,413
Meter service	284,591	944,861	1,229,452
Customer accounting and collections	148,668	493,251	641,919
General and administration	585,766	1,925,897	2,511,663
 Total operating expenses	 <u>8,096,509</u>	 <u>28,199,339</u>	 <u>36,295,848</u>
 Operating income (loss)	 <u>547,143</u>	 <u>(3,495,970)</u>	 <u>(2,948,827)</u>
Nonoperating income (expense)			
Investment earnings	77,554	160,074	237,628
Connection fees	-	2,304	2,304
Interest and amortization expense	(1,263,478)	(1,505,565)	(2,769,043)
Gain on disposal of capital assets	8,744	22,373	31,117
 Total nonoperating expense	 <u>(1,177,180)</u>	 <u>(1,320,814)</u>	 <u>(2,497,994)</u>
 Loss before contributions	 <u>(630,037)</u>	 <u>(4,816,784)</u>	 <u>(5,446,821)</u>
 Capital contributions	 <u>10,086</u>	 <u>313,231</u>	 <u>323,317</u>
 Change in net assets	 <u>(619,951)</u>	 <u>(4,503,553)</u>	 <u>(5,123,504)</u>
Net assets, beginning of year	48,429,757	145,402,469	193,832,226
 Net assets, end of year	 <u>\$ 47,809,806</u>	 <u>\$ 140,898,916</u>	 <u>\$ 188,708,722</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Assets
Water and Wastewater Allocation
For the Year Ended August 31, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 13,148,378	\$ -	\$ 13,148,378
Sewage disposal sales	-	14,805,649	14,805,649
Surcharges and other usage fees:			
Capital improvement surcharge	1,740,618	1,633,626	3,374,244
Construction reserve	150,673	132,914	283,587
Environmental reserve	-	99,344	99,344
Other operating revenue	91,427	1,544,392	1,635,819
	<u>15,131,096</u>	<u>18,215,925</u>	<u>33,347,021</u>
Total operating revenue			
Operating expenses			
Water distribution	7,792,536	-	7,792,536
Wastewater treatment	-	16,017,852	16,017,852
Wastewater pump stations	-	1,027,107	1,027,107
Industrial surveillance	-	368,906	368,906
Transmission and distribution	3,052,463	3,653,950	6,706,413
Meter service	614,727	614,725	1,229,452
Customer accounting and collections	320,959	320,960	641,919
General and administration	1,121,381	1,390,282	2,511,663
	<u>12,902,066</u>	<u>23,393,782</u>	<u>36,295,848</u>
Total operating expenses			
Operating income (loss)	<u>2,229,030</u>	<u>(5,177,857)</u>	<u>(2,948,827)</u>
Nonoperating income (expense)			
Investment earnings	126,812	110,816	237,628
Connection fees	1,152	1,152	2,304
Interest and amortization expense	(873,124)	(1,895,919)	(2,769,043)
Gain on disposal of capital assets	-	31,117	31,117
	<u>(745,160)</u>	<u>(1,752,834)</u>	<u>(2,497,994)</u>
Total nonoperating expense			
Income (loss) before contributions	1,483,870	(6,930,691)	(5,446,821)
Capital contributions	<u>155,636</u>	<u>167,681</u>	<u>323,317</u>
Change in net assets	<u>\$ 1,639,506</u>	<u>\$ (6,763,010)</u>	<u>\$ (5,123,504)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues and Expenses
Water and Wastewater Allocation by Member
For the Year Ended August 31, 2011

	City		
	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 2,117,075	\$ -	\$ 2,117,075
Sewage disposal sales	-	3,210,681	3,210,681
Surcharges and other usage fees:			
Capital improvement surcharge	1,434,608	1,402,856	2,837,464
Construction reserve	34,886	33,383	68,269
Environmental reserve	-	-	-
Other operating revenue	36,175	373,988	410,163
	<u>3,622,744</u>	<u>5,020,908</u>	<u>8,643,652</u>
Operating expenses			
Water distribution	1,220,447	-	1,220,447
Wastewater treatment	-	3,757,790	3,757,790
Wastewater pump stations	-	199,909	199,909
Industrial surveillance	-	86,546	86,546
Transmission and distribution	1,071,977	740,815	1,812,792
Meter service	142,292	142,299	284,591
Customer accounting and collections	74,334	74,334	148,668
General and administration	261,479	324,287	585,766
	<u>2,770,529</u>	<u>5,325,980</u>	<u>8,096,509</u>
	<u>852,215</u>	<u>(305,072)</u>	<u>547,143</u>
Nonoperating income (expense)			
Investment earnings	39,016	38,538	77,554
Connection fees	-	-	-
Interest and amortization expense	(507,303)	(756,175)	(1,263,478)
Gain on disposal of capital assets	-	8,744	8,744
	<u>(468,287)</u>	<u>(708,893)</u>	<u>(1,177,180)</u>
	<u>383,928</u>	<u>(1,013,965)</u>	<u>(630,037)</u>
Capital contributions			
	<u>10,086</u>	<u>-</u>	<u>10,086</u>
Change in net assets	<u>\$ 394,014</u>	<u>\$ (1,013,965)</u>	<u>\$ (619,951)</u>

	Township		Total
	Water	Wastewater	
\$ 11,031,303	\$ -	\$ 11,031,303	\$ 13,148,378
-	11,594,968	11,594,968	14,805,649
306,010	230,770	536,780	3,374,244
115,787	99,531	215,318	283,587
-	99,344	99,344	99,344
55,252	1,170,404	1,225,656	1,635,819
<u>11,508,352</u>	<u>13,195,017</u>	<u>24,703,369</u>	<u>33,347,021</u>
6,572,089	-	6,572,089	7,792,536
-	12,260,062	12,260,062	16,017,852
-	827,198	827,198	1,027,107
-	282,360	282,360	368,906
1,980,486	2,913,135	4,893,621	6,706,413
472,435	472,426	944,861	1,229,452
246,625	246,626	493,251	641,919
859,902	1,065,995	1,925,897	2,511,663
<u>10,131,537</u>	<u>18,067,802</u>	<u>28,199,339</u>	<u>36,295,848</u>
<u>1,376,815</u>	<u>(4,872,785)</u>	<u>(3,495,970)</u>	<u>(2,948,827)</u>
87,796	72,278	160,074	237,628
1,152	1,152	2,304	2,304
(365,821)	(1,139,744)	(1,505,565)	(2,769,043)
-	22,373	22,373	31,117
<u>(276,873)</u>	<u>(1,043,941)</u>	<u>(1,320,814)</u>	<u>(2,497,994)</u>
1,099,942	(5,916,726)	(4,816,784)	(5,446,821)
<u>145,550</u>	<u>167,681</u>	<u>313,231</u>	<u>323,317</u>
<u>\$ 1,245,492</u>	<u>\$ (5,749,045)</u>	<u>\$ (4,503,553)</u>	<u>\$ (5,123,504)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
City and Township Allocation
For the Year Ended August 31, 2011

	<u>City</u>	<u>Township</u>	<u>Total</u>
Water distribution			
Wages	\$ 62,562	\$ 326,991	\$ 389,553
Benefits allocation	50,806	265,546	316,352
Purchased water	1,061,526	5,548,226	6,609,752
Utilities	2,476	206,171	208,647
Maintenance and supplies	1,920	10,033	11,953
Computers, copiers and printers	36	188	224
Third party systems support	1,129	5,904	7,033
Professional services	3,127	16,347	19,474
Depreciation	2,811	14,693	17,504
Other	5,273	27,566	32,839
Fleet allocation	3,226	16,857	20,083
Maintenance allocation	25,555	133,567	159,122
	<u>1,220,447</u>	<u>6,572,089</u>	<u>7,792,536</u>
Wastewater treatment			
Wages	327,574	1,068,736	1,396,310
Benefits allocation	266,020	867,909	1,133,929
Utilities	518,929	1,693,044	2,211,973
Sludge removal	74,184	242,030	316,214
Maintenance and supplies	140,029	456,854	596,883
Computers, copiers and printers	2,105	6,868	8,973
Third party systems support	4,740	15,466	20,206
Professional services	32,446	105,859	138,305
Engineering	883	2,879	3,762
Laboratory	3,644	11,889	15,533
Chemicals	90,305	294,625	384,930
Depreciation	1,566,952	5,112,296	6,679,248
Other	6,957	22,700	29,657
Fleet allocation	79,291	258,693	337,984
Maintenance allocation	506,986	1,654,081	2,161,067
Laboratory allocation	136,745	446,133	582,878
	<u>3,757,790</u>	<u>12,260,062</u>	<u>16,017,852</u>
Wastewater pump stations			
Wages	51,244	167,185	218,429
Benefits allocation	41,614	135,770	177,384
Utilities	72,872	410,728	483,600
Maintenance and supplies	25,706	83,871	109,577
Computers, copiers and printers	78	253	331
Professional services	5,583	18,215	23,798
Engineering	-	2,000	2,000
Depreciation	2,697	8,799	11,496
Other	115	377	492
	<u>199,909</u>	<u>827,198</u>	<u>1,027,107</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2011

	<u>City</u>	<u>Township</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ 44,803	\$ 146,172	\$ 190,975
Benefits allocation	36,384	118,705	155,089
Maintenance and supplies	1,296	4,230	5,526
Third party systems support	127	413	540
Professional services	2,630	8,579	11,209
Other	427	1,394	1,821
Fleet allocation	879	2,867	3,746
	<u>86,546</u>	<u>282,360</u>	<u>368,906</u>
Transmission and distribution			
Wages	373,135	1,095,900	1,469,035
Benefits allocation	303,013	889,977	1,192,990
Utilities	12,087	35,500	47,587
Service center rent	55,880	164,120	220,000
Sewer overflow settlements	-	46,010	46,010
Maintenance:			
Shop and office	6,397	18,782	25,179
Water and sewer mains	45,216	136,071	181,287
Computers, copiers and printers	231	677	908
Third party systems support	1,118	3,282	4,400
Professional services	3,438	10,099	13,537
Engineering	1,092	3,208	4,300
Depreciation	892,391	2,161,889	3,054,280
Other	11,023	11,580	22,603
Fleet allocation	95,606	280,791	376,397
Maintenance allocation	12,165	35,735	47,900
	<u>1,812,792</u>	<u>4,893,621</u>	<u>6,706,413</u>
Meter service			
Wages	128,948	427,821	556,769
Benefits allocation	104,717	347,429	452,146
Utilities	270	1,548	1,818
Maintenance and supplies	66	217	283
Computers, copiers and printers	79	261	340
Third party systems support	835	2,770	3,605
Professional services	317	1,051	1,368
Meter parts	3,935	13,056	16,991
Depreciation	34,388	114,093	148,481
Other	1,254	4,159	5,413
Fleet allocation	9,782	32,456	42,238
	<u>284,591</u>	<u>944,861</u>	<u>1,229,452</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2011

	<u>City</u>	<u>Township</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 65,347	\$ 216,808	\$ 282,155
Benefits allocation	53,068	176,067	229,135
Utilities	3,800	12,607	16,407
Maintenance and supplies	3,697	12,268	15,965
Computers, copiers and printers	175	582	757
Third party systems support	7,024	23,306	30,330
Professional services	418	1,388	1,806
Postage	12,348	40,968	53,316
Depreciation	2,505	8,310	10,815
Other	286	947	1,233
	<u>148,668</u>	<u>493,251</u>	<u>641,919</u>
General and administrative			
Wages	133,391	435,199	568,590
Benefits allocation	108,326	353,420	461,746
Maintenance and supplies	1,180	3,850	5,030
Computers, copiers and printers	358	1,166	1,524
Third party systems support	1,268	4,138	5,406
Engineering	3,654	10,046	13,700
Building and liability insurance	48,755	159,066	207,821
Legal services	14,041	45,811	59,852
Professional services	972	3,173	4,145
Depreciation	4,625	15,091	19,716
Other	6,141	18,588	24,729
Bad debt expense	14,001	59,187	73,188
Fleet allocation	3,870	12,627	16,497
Maintenance allocation	779	2,541	3,320
Human resource allocation	126,725	415,875	542,600
Accounting allocation	117,680	386,119	503,799
	<u>585,766</u>	<u>1,925,897</u>	<u>2,511,663</u>
Fleet			
Wages	43,223	135,576	178,799
Benefits allocation	35,101	110,099	145,200
Radio maintenance	347	1,090	1,437
Maintenance parts and supplies	22,331	70,045	92,376
Computers, copiers and printers	15	45	60
Third party systems support	282	883	1,165
Professional services	2,283	7,163	9,446
Gas, oil and grease	40,572	127,261	167,833
Insurance	9,741	30,554	40,295
Depreciation	38,210	119,851	158,061
Other	549	1,724	2,273
Allocated to various departments	<u>(192,654)</u>	<u>(604,291)</u>	<u>(796,945)</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, 2011

	<u>City</u>	<u>Township</u>	<u>Total</u>
Human resources			
Wages	\$ 60,117	\$ 197,286	\$ 257,403
Benefits allocation	48,820	160,214	209,034
Safety program	(463)	(1,521)	(1,984)
Legal services	3,307	10,854	14,161
Physicals	1,276	4,189	5,465
Office supplies	1,010	3,315	4,325
Computers, copiers and printers	1,085	3,559	4,644
Third party systems support	2,776	9,111	11,887
Professional services	151	497	648
Depreciation	3,181	10,439	13,620
Other	5,465	17,932	23,397
Allocated to general and administrative	<u>(126,725)</u>	<u>(415,875)</u>	<u>(542,600)</u>
	-	-	-
Benefits and payroll taxes			
Health insurance	961,183	3,154,335	4,115,518
Life insurance	3,194	10,480	13,674
Disability insurance	11,974	39,297	51,271
Social security	127,406	418,111	545,517
Workers compensation	16,053	52,681	68,734
Pension contribution	255,814	839,510	1,095,324
Unemployment	4,543	14,907	19,450
Uniforms	2,783	9,131	11,914
Allocated to various departments	<u>(1,382,950)</u>	<u>(4,538,452)</u>	<u>(5,921,402)</u>
	-	-	-
Maintenance			
Wages	291,934	977,201	1,269,135
Benefits allocation	237,077	793,574	1,030,651
Maintenance and supplies	6,579	22,024	28,603
Computers, copiers and printers	105	353	458
Third party systems support	2,755	9,221	11,976
Depreciation	943	3,157	4,100
Other	6,092	20,394	26,486
Allocated to various departments	<u>(545,485)</u>	<u>(1,825,924)</u>	<u>(2,371,409)</u>
	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
City and Township Allocation
For the Year Ended August 31, 2011

	<u>City</u>	<u>Township</u>	<u>Total</u>
Laboratory			
Wages	\$ 71,295	\$ 232,604	\$ 303,899
Benefits allocation	57,898	188,895	246,793
Maintenance and supplies	3,300	10,766	14,066
Computers, copiers and printers	133	432	565
Third party systems support	214	699	913
Professional services	732	2,389	3,121
Depreciation	2,048	6,681	8,729
Other	1,125	3,667	4,792
Allocated to wastewater treatment	(136,745)	(446,133)	(582,878)
	-	-	-
Accounting			
Wages	49,386	161,124	210,510
Benefits allocation	40,106	130,847	170,953
Office supplies	412	1,343	1,755
Third party systems support	1,209	3,946	5,155
Professional services	14,583	47,577	62,160
Depreciation	606	1,975	2,581
Other	11,378	39,307	50,685
Allocated to general and administrative	(117,680)	(386,119)	(503,799)
	-	-	-
Total operating expenses	<u>\$ 8,096,509</u>	<u>\$ 28,199,339</u>	<u>\$ 36,295,848</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
Water and Wastewater Allocation
For the Year Ended August 31, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Water distribution			
Wages	\$ 389,553	\$ -	\$ 389,553
Benefits allocation	316,352	-	316,352
Purchased water	6,609,752	-	6,609,752
Utilities	208,647	-	208,647
Maintenance and supplies	11,953	-	11,953
Computers, copiers and printers	224	-	224
Third party systems support	7,033	-	7,033
Professional services	19,474	-	19,474
Depreciation	17,504	-	17,504
Other	32,839	-	32,839
Fleet allocation	20,083	-	20,083
Maintenance allocation	159,122	-	159,122
	<u>7,792,536</u>	<u>-</u>	<u>7,792,536</u>
Wastewater treatment			
Wages	-	1,396,310	1,396,310
Benefits allocation	-	1,133,929	1,133,929
Utilities	-	2,211,973	2,211,973
Sludge removal	-	316,214	316,214
Maintenance and supplies	-	596,883	596,883
Computers, copiers and printers	-	8,973	8,973
Third party systems support	-	20,206	20,206
Professional services	-	138,305	138,305
Engineering	-	3,762	3,762
Laboratory	-	15,533	15,533
Chemicals	-	384,930	384,930
Depreciation	-	6,679,248	6,679,248
Other	-	29,657	29,657
Fleet allocation	-	337,984	337,984
Maintenance allocation	-	2,161,067	2,161,067
Laboratory allocation	-	582,878	582,878
	<u>-</u>	<u>16,017,852</u>	<u>16,017,852</u>
Wastewater pump stations			
Wages	-	218,429	218,429
Benefits allocation	-	177,384	177,384
Utilities	-	483,600	483,600
Maintenance and supplies	-	109,577	109,577
Computers, copiers and printers	-	331	331
Professional services	-	23,798	23,798
Engineering	-	2,000	2,000
Depreciation	-	11,496	11,496
Other	-	492	492
	<u>-</u>	<u>1,027,107</u>	<u>1,027,107</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ -	\$ 190,975	\$ 190,975
Benefits allocation	-	155,089	155,089
Maintenance and supplies	-	5,526	5,526
Third party systems support	-	540	540
Professional services	-	11,209	11,209
Other	-	1,821	1,821
Fleet allocation	-	3,746	3,746
	<u>-</u>	<u>368,906</u>	<u>368,906</u>
Transmission and distribution			
Wages	445,118	1,023,917	1,469,035
Benefits allocation	361,374	831,616	1,192,990
Utilities	14,419	33,168	47,587
Service center rent	66,660	153,340	220,000
Sewer overflow settlements	14,465	31,545	46,010
Maintenance:			
Shop and office	7,629	17,550	25,179
Water and sewer mains	54,967	126,320	181,287
Computers, copiers and printers	275	633	908
Third party systems support	1,333	3,067	4,400
Professional services	4,102	9,435	13,537
Engineering	1,303	2,997	4,300
Depreciation	1,945,642	1,108,638	3,054,280
Other	6,613	15,990	22,603
Fleet allocation	114,049	262,348	376,397
Maintenance allocation	14,514	33,386	47,900
	<u>3,052,463</u>	<u>3,653,950</u>	<u>6,706,413</u>
Meter service			
Wages	278,385	278,384	556,769
Benefits allocation	226,073	226,073	452,146
Utilities	909	909	1,818
Maintenance and supplies	142	141	283
Computers, copiers and printers	170	170	340
Third party systems support	1,802	1,803	3,605
Professional services	684	684	1,368
Meter parts	8,496	8,495	16,991
Depreciation	74,240	74,241	148,481
Other	2,706	2,707	5,413
Fleet allocation	21,120	21,118	42,238
	<u>614,727</u>	<u>614,725</u>	<u>1,229,452</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 141,077	\$ 141,078	\$ 282,155
Benefits allocation	114,567	114,568	229,135
Utilities	8,204	8,203	16,407
Maintenance and supplies	7,982	7,983	15,965
Computers, copiers and printers	379	378	757
Third party systems support	15,165	15,165	30,330
Professional services	903	903	1,806
Postage	26,658	26,658	53,316
Depreciation	5,408	5,407	10,815
Other	616	617	1,233
	<u>320,959</u>	<u>320,960</u>	<u>641,919</u>
General and administrative			
Wages	284,295	284,295	568,590
Benefits allocation	230,873	230,873	461,746
Maintenance and supplies	2,515	2,515	5,030
Computers, copiers and printers	762	762	1,524
Third party systems support	2,703	2,703	5,406
Engineering	6,851	6,849	13,700
Building and liability insurance	103,911	103,910	207,821
Legal services	29,926	29,926	59,852
Professional services	2,073	2,072	4,145
Depreciation	9,858	9,858	19,716
Other	12,364	12,365	24,729
Bad debt expense	36,594	36,594	73,188
Fleet allocation	8,248	8,249	16,497
Maintenance allocation	1,660	1,660	3,320
Human resource allocation	136,847	405,753	542,600
Accounting allocation	251,901	251,898	503,799
	<u>1,121,381</u>	<u>1,390,282</u>	<u>2,511,663</u>
Fleet			
Wages	36,682	142,117	178,799
Benefits allocation	29,789	115,411	145,200
Radio maintenance	295	1,142	1,437
Maintenance parts and supplies	18,952	73,424	92,376
Computers, copiers and printers	12	48	60
Third party systems support	239	926	1,165
Professional services	1,938	7,508	9,446
Gas, oil and grease	34,432	133,401	167,833
Insurance	8,267	32,028	40,295
Depreciation	32,428	125,633	158,061
Other	466	1,807	2,273
Allocated to various departments	<u>(163,500)</u>	<u>(633,445)</u>	<u>(796,945)</u>
	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Human resources			
Wages	\$ 64,919	\$ 192,484	\$ 257,403
Benefits allocation	52,720	156,314	209,034
Safety program	(500)	(1,484)	(1,984)
Legal services	3,571	10,590	14,161
Physicals	1,378	4,087	5,465
Office supplies	1,091	3,234	4,325
Computers, copiers and printers	1,171	3,473	4,644
Third party systems support	2,998	8,889	11,887
Professional services	163	485	648
Depreciation	3,435	10,185	13,620
Other	5,901	17,496	23,397
Allocated to general and administrative	<u>(136,847)</u>	<u>(405,753)</u>	<u>(542,600)</u>
	-	-	-
Benefits and payroll taxes			
Health insurance	1,037,957	3,077,561	4,115,518
Life insurance	3,449	10,225	13,674
Disability insurance	12,931	38,340	51,271
Social security	137,582	407,935	545,517
Workers compensation	17,335	51,399	68,734
Pension contribution	276,247	819,077	1,095,324
Unemployment	4,905	14,545	19,450
Uniforms	3,005	8,909	11,914
Allocated to various departments	<u>(1,493,411)</u>	<u>(4,427,991)</u>	<u>(5,921,402)</u>
	-	-	-
Maintenance			
Wages	93,815	1,175,320	1,269,135
Benefits allocation	76,186	954,465	1,030,651
Maintenance and supplies	2,114	26,489	28,603
Computers, copiers and printers	34	424	458
Third party systems support	886	11,090	11,976
Depreciation	303	3,797	4,100
Other	1,958	24,528	26,486
Allocated to various departments	<u>(175,296)</u>	<u>(2,196,113)</u>	<u>(2,371,409)</u>
	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
Water and Wastewater Allocation
For the Year Ended August 31, 2011

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Laboratory			
Wages	\$ -	\$ 303,899	\$ 303,899
Benefits allocation	-	246,793	246,793
Maintenance and supplies	-	14,066	14,066
Computers, copiers and printers	-	565	565
Third party systems support	-	913	913
Professional services	-	3,121	3,121
Depreciation	-	8,729	8,729
Other	-	4,792	4,792
Allocated to wastewater treatment	-	(582,878)	(582,878)
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	105,255	105,255	210,510
Benefits allocation	85,477	85,476	170,953
Office supplies	877	878	1,755
Third party systems support	2,578	2,577	5,155
Professional services	31,080	31,080	62,160
Depreciation	1,291	1,290	2,581
Other	25,343	25,342	50,685
Allocated to general and administrative	(251,901)	(251,898)	(503,799)
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 12,902,066</u>	<u>\$ 23,393,782</u>	<u>\$ 36,295,848</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses -
Budget and Actual
For the Year Ended August 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Water distribution				
Wages	\$ 380,118	\$ 380,118	\$ 389,553	\$ 9,435
Benefits allocation	342,002	342,002	316,352	(25,650)
Purchased water	7,012,252	7,012,252	6,609,752	(402,500)
Utilities	185,990	185,990	208,647	22,657
Maintenance and supplies	9,450	9,450	11,953	2,503
Computers, copiers and printers	450	450	224	(226)
Third party systems support	6,291	6,291	7,033	742
Professional services	8,500	8,500	19,474	10,974
Engineering	1,000	1,000	-	(1,000)
Depreciation	17,504	17,504	17,504	-
Other	36,335	36,335	32,839	(3,496)
Fleet allocation	19,305	19,305	20,083	778
Maintenance allocation	88,273	88,273	159,122	70,849
	<u>8,107,470</u>	<u>8,107,470</u>	<u>7,792,536</u>	<u>(314,934)</u>
Wastewater treatment				
Wages	1,422,204	1,422,204	1,396,310	(25,894)
Benefits allocation	1,279,591	1,279,591	1,133,929	(145,662)
Utilities	2,625,960	2,625,960	2,211,973	(413,987)
Sludge removal	170,000	170,000	316,214	146,214
Maintenance and supplies	566,700	566,700	596,883	30,183
Computers, copiers and printers	3,450	3,450	8,973	5,523
Third party systems support	17,200	17,200	20,206	3,006
Professional services	140,000	140,000	138,305	(1,695)
Engineering	5,000	5,000	3,762	(1,238)
Laboratory	20,000	20,000	15,533	(4,467)
Chemicals	500,000	500,000	384,930	(115,070)
Depreciation	6,700,960	6,700,960	6,679,248	(21,712)
Other	46,770	46,770	29,657	(17,113)
Fleet allocation	308,864	308,864	337,984	29,120
Maintenance allocation	2,426,875	2,426,875	2,161,067	(265,808)
Laboratory allocation	712,630	712,630	582,878	(129,752)
	<u>16,946,204</u>	<u>16,946,204</u>	<u>16,017,852</u>	<u>(928,352)</u>
Wastewater pump stations				
Wages	225,565	225,565	218,429	(7,136)
Benefits allocation	202,946	202,946	177,384	(25,562)
Utilities	555,500	555,500	483,600	(71,900)
Maintenance and supplies	130,000	130,000	109,577	(20,423)
Computers, copiers and printers	-	-	331	331
Professional services	45,000	45,000	23,798	(21,202)
Engineering	-	-	2,000	2,000
Depreciation	11,496	11,496	11,496	-
Other	600	600	492	(108)
	<u>1,171,107</u>	<u>1,171,107</u>	<u>1,027,107</u>	<u>(144,000)</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Industrial surveillance				
Wages	\$ 178,833	\$ 178,833	\$ 190,975	\$ 12,142
Benefits allocation	173,743	173,743	155,089	(18,654)
Maintenance and supplies	9,250	9,250	5,526	(3,724)
Third party systems support	316	316	540	224
Professional services	12,000	12,000	11,209	(791)
Other	2,167	2,167	1,821	(346)
Fleet allocation	-	-	3,746	3,746
	<u>376,309</u>	<u>376,309</u>	<u>368,906</u>	<u>(7,403)</u>
Transmission and distribution				
Wages	1,537,053	1,537,053	1,469,035	(68,018)
Benefits allocation	1,382,924	1,382,924	1,192,990	(189,934)
Utilities	52,700	52,700	47,587	(5,113)
Service center rent	220,000	220,000	220,000	-
Sewer overflow settlements	95,000	95,000	46,010	(48,990)
Maintenance:				
Shop and office	27,500	27,500	25,179	(2,321)
Water and sewer mains	210,000	210,000	181,287	(28,713)
Computers, copiers and printers	1,850	1,850	908	(942)
Third party systems support	8,923	8,923	4,400	(4,523)
Professional services	1,500	1,500	13,537	12,037
Engineering	8,000	8,000	4,300	(3,700)
Depreciation	2,977,065	2,977,065	3,054,280	77,215
Other	18,021	18,021	22,603	4,582
Fleet allocation	334,452	334,452	376,397	41,945
Maintenance allocation	39,633	39,633	47,900	8,267
	<u>6,914,621</u>	<u>6,914,621</u>	<u>6,706,413</u>	<u>(208,208)</u>
Meter service				
Wages	486,734	486,734	556,769	70,035
Benefits allocation	437,927	437,927	452,146	14,219
Utilities	1,730	1,730	1,818	88
Maintenance and supplies	1,650	1,650	283	(1,367)
Computers, copiers and printers	50	50	340	290
Third party systems support	1,475	1,475	3,605	2,130
Professional services	1,600	1,600	1,368	(232)
Meter parts	44,000	44,000	16,991	(27,009)
Depreciation	121,121	121,121	148,481	27,360
Other	5,940	5,940	5,413	(527)
Fleet allocation	90,831	90,831	42,238	(48,593)
	<u>1,193,058</u>	<u>1,193,058</u>	<u>1,229,452</u>	<u>36,394</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Customer accounting/collections				
Wages	\$ 285,885	\$ 285,885	\$ 282,155	\$ (3,730)
Benefits allocation	257,217	257,217	229,135	(28,082)
Utilities	3,220	3,220	16,407	13,187
Maintenance and supplies	20,000	20,000	15,965	(4,035)
Computers, copiers and printers	950	950	757	(193)
Third party systems support	31,472	31,472	30,330	(1,142)
Professional services	1,000	1,000	1,806	806
Postage	72,000	72,000	53,316	(18,684)
Depreciation	10,815	10,815	10,815	-
Other	2,130	2,130	1,233	(897)
	<u>684,689</u>	<u>684,689</u>	<u>641,919</u>	<u>(42,770)</u>
General and administrative				
Wages	583,535	583,535	568,590	(14,945)
Benefits allocation	525,020	525,020	461,746	(63,274)
Maintenance and supplies	5,000	5,000	5,030	30
Computers, copiers and printers	900	900	1,524	624
Third party systems support	18,896	18,896	5,406	(13,490)
Engineering	15,000	15,000	13,700	(1,300)
Building and liability insurance	220,500	220,500	207,821	(12,679)
Legal services	150,000	150,000	59,852	(90,148)
Professional services	5,000	5,000	4,145	(855)
Depreciation	6,336	6,336	19,716	13,380
Other	64,640	64,640	24,729	(39,911)
Bad debt expense	11,000	11,000	73,188	62,188
Fleet allocation	32,144	32,144	16,497	(15,647)
Maintenance allocation	18,787	18,787	3,320	(15,467)
Human resource allocation	618,633	618,633	542,600	(76,033)
Accounting allocation	512,590	512,590	503,799	(8,791)
	<u>2,787,981</u>	<u>2,787,981</u>	<u>2,511,663</u>	<u>(276,318)</u>
Fleet				
Wages	175,922	175,922	178,799	2,877
Benefits allocation	158,281	158,281	145,200	(13,081)
Radio maintenance	1,000	1,000	1,437	437
Maintenance parts and supplies	92,850	92,850	92,376	(474)
Computers, copiers and printers	-	-	60	60
Third party systems support	816	816	1,165	349
Professional services	15,000	15,000	9,446	(5,554)
Gas, oil and grease	150,000	150,000	167,833	17,833
Insurance	44,000	44,000	40,295	(3,705)
Depreciation	158,061	158,061	158,061	-
Other	2,510	2,510	2,273	(237)
Allocated to various departments	(798,440)	(798,440)	(796,945)	1,495
	<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, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Human resources				
Wages	\$ 254,094	\$ 254,094	\$ 257,403	\$ 3,309
Benefits allocation	228,614	228,614	209,034	(19,580)
Safety program	6,350	6,350	(1,984)	(8,334)
Legal services	25,000	25,000	14,161	(10,839)
Physicals	12,000	12,000	5,465	(6,535)
Office supplies	5,200	5,200	4,325	(875)
Computers, copiers and printers	3,600	3,600	4,644	1,044
Third party systems support	11,505	11,505	11,887	382
Professional services	7,000	7,000	648	(6,352)
Depreciation	21,045	21,045	13,620	(7,425)
Other	44,225	44,225	23,397	(20,828)
Allocated to general and administrative	(618,633)	(618,633)	(542,600)	76,033
	-	-	-	-
Benefits and payroll taxes				
Health insurance	4,774,834	4,774,834	4,115,518	(659,316)
Life insurance	15,586	15,586	13,674	(1,912)
Disability insurance	58,870	58,870	51,271	(7,599)
Social security	565,791	565,791	545,517	(20,274)
Workers compensation	105,000	105,000	68,734	(36,266)
Pension contribution	1,098,079	1,098,079	1,095,324	(2,755)
Unemployment	19,450	19,450	19,450	-
Uniforms	16,719	16,719	11,914	(4,805)
Allocated to various departments	(6,654,329)	(6,654,329)	(5,921,402)	732,927
	-	-	-	-
Maintenance				
Wages	1,322,582	1,322,582	1,269,135	(53,447)
Benefits allocation	1,189,960	1,189,960	1,030,651	(159,309)
Maintenance and supplies	25,500	25,500	28,603	3,103
Computers, copiers and printers	250	250	458	208
Third party systems support	8,467	8,467	11,976	3,509
Depreciation	4,100	4,100	4,100	-
Other	22,710	22,710	26,486	3,776
Allocated to various departments	(2,573,569)	(2,573,569)	(2,371,409)	202,160
	-	-	-	-

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Concluded)
Budget and Actual
For the Year Ended August 31, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Laboratory				
Wages	\$ 349,909	\$ 349,909	\$ 303,899	\$ (46,010)
Benefits allocation	314,822	314,822	246,793	(68,029)
Maintenance and supplies	22,600	22,600	14,066	(8,534)
Computers, copiers and printers	3,300	3,300	565	(2,735)
Third party systems support	950	950	913	(37)
Professional services	4,000	4,000	3,121	(879)
Depreciation	8,729	8,729	8,729	-
Other	8,320	8,320	4,792	(3,528)
Allocated to wastewater treatment	(712,630)	(712,630)	(582,878)	129,752
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounting				
Wages	193,532	193,532	210,510	16,978
Benefits allocation	174,126	174,126	170,953	(3,173)
Office supplies	2,100	2,100	1,755	(345)
Third party systems support	6,000	6,000	5,155	(845)
Professional services	72,500	72,500	62,160	(10,340)
Depreciation	2,582	2,582	2,581	(1)
Other	61,750	61,750	50,685	(11,065)
Allocated to general and administrative	(512,590)	(512,590)	(503,799)	8,791
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 38,181,439</u>	<u>\$ 38,181,439</u>	<u>\$ 36,295,848</u>	<u>\$ (1,885,591)</u>

STATISTICAL SECTION

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue				
Water sales	\$ 13,148,378	\$ 11,896,822	\$ 11,829,728	\$ 12,338,209
Sewage disposal sales	14,805,649	13,438,220	15,683,034	16,422,599
Surcharges and other usage fees	3,757,175	3,824,805	3,915,930	4,070,849
Other operating revenue	1,635,819	1,686,828	1,863,459	1,562,404
Sales discounts	(4) -	-	-	-
Total operating revenue	<u>33,347,021</u>	<u>30,846,675</u>	<u>33,292,151</u>	<u>34,394,061</u>
Operating expenses (2)				
Water distribution	7,792,536	7,081,762	6,680,598	7,527,032
Wastewater treatment	16,017,852	16,080,897	16,928,838	17,771,780
Wastewater pump stations	1,027,107	1,098,445	1,106,431	1,145,548
Industrial surveillance	368,906	378,400	516,865	336,782
Transmission and distribution	6,706,413	6,502,734	6,814,592	6,627,636
Meter service	1,229,452	1,038,294	1,281,173	1,436,719
Customer accounting and collections	641,919	757,180	842,231	872,717
General and administration	(1) 2,511,663	2,800,453	2,917,627	2,467,995
Total operating expenses	<u>36,295,848</u>	<u>35,738,165</u>	<u>37,088,355</u>	<u>38,186,209</u>
Operating income (loss)	<u>(2,948,827)</u>	<u>(4,891,490)</u>	<u>(3,796,204)</u>	<u>(3,792,148)</u>
Nonoperating income (expense)				
Investment earnings	237,628	265,257	462,878	998,650
Connection fees	(2) 2,304	3,751	593,613	155,860
Debt service contributions	-	-	-	-
Interest and amortization expense	(2,769,043)	(2,693,219)	(2,712,540)	(2,783,337)
Gain (loss) on disposal of capital assets	31,117	(348,062)	3,602	32,337
Debt service transfer to County	(3) -	-	-	-
Total nonoperating income (expense)	<u>(2,497,994)</u>	<u>(2,772,273)</u>	<u>(1,652,447)</u>	<u>(1,596,490)</u>
Income (loss) before contributions and special item	<u>\$ (5,446,821)</u>	<u>\$ (7,663,763)</u>	<u>\$ (5,448,651)</u>	<u>\$ (5,388,638)</u>

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

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

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

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

Table 1

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 12,680,932	\$ 11,542,307	\$ 11,649,244	\$ 9,763,879	\$ 8,616,377	\$ 8,039,879
16,480,689	13,621,058	13,701,463	14,274,813	13,235,087	12,908,599
4,195,911	4,422,394	4,460,475	3,649,946	2,503,637	1,891,240
2,500,151	2,217,203	2,159,409	2,408,713	2,248,813	2,380,576
-	-	-	(80,105)	(705,985)	(866,723)
<u>35,857,683</u>	<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>
7,486,176	7,085,751	6,930,845	5,873,120	5,282,942	4,894,966
16,977,585	13,052,424	10,226,090	10,062,008	10,882,313	9,085,357
1,054,513	883,122	834,416	771,991	805,890	928,166
335,299	335,131	375,466	174,773	146,967	118,270
6,630,235	6,105,316	5,766,919	4,938,907	5,049,571	3,665,838
1,518,009	1,513,485	1,419,979	1,147,385	1,121,564	845,806
837,640	791,665	720,370	680,264	651,361	523,708
2,424,113	2,438,567	2,125,010	1,912,661	1,832,080	4,269,158
<u>37,263,570</u>	<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>(1,405,887)</u>	<u>(402,499)</u>	<u>3,571,496</u>	<u>4,456,137</u>	<u>125,241</u>	<u>22,302</u>
1,595,219	958,973	651,753	1,181,681	21,493	1,034,719
265,589	909,761	975,348	2,145,105	1,066,491	-
63,007	146,476	1,004,525	206,509	211,511	920,478
(2,747,453)	(1,109,703)	(951,745)	(1,220,577)	(1,023,113)	(1,709,110)
19,852	-	(75,287)	(1,969,458)	(2,833)	(66,461)
-	-	-	-	-	(1,214,715)
<u>(803,786)</u>	<u>905,507</u>	<u>1,604,594</u>	<u>343,260</u>	<u>273,549</u>	<u>(1,035,089)</u>
<u>\$ (2,209,673)</u>	<u>\$ 503,008</u>	<u>\$ 5,176,090</u>	<u>\$ 4,799,397</u>	<u>\$ 398,790</u>	<u>\$ (1,012,787)</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue				
Water sales	\$ 2,117,075	\$ 1,959,836	\$ 1,903,714	\$ 1,930,661
Sewage disposal sales	3,210,681	2,908,831	3,353,761	3,505,232
Surcharges and other usage fees	2,905,733	2,990,356	3,043,380	3,155,294
Other operating revenue	410,163	392,322	384,288	415,965
Sales discounts	(4) -	-	-	-
Total operating revenue	<u>8,643,652</u>	<u>8,251,345</u>	<u>8,685,143</u>	<u>9,007,152</u>
Operating expenses (2)				
Water distribution	1,220,447	1,104,248	1,039,709	1,117,918
Wastewater treatment	3,757,790	3,772,580	3,968,120	4,185,210
Wastewater pump stations	199,909	261,659	236,208	251,459
Industrial surveillance	86,546	88,772	121,153	78,639
Transmission and distribution	1,812,792	1,741,448	2,227,406	1,863,539
Meter service	284,591	239,901	293,137	336,541
Customer accounting and collections	148,668	175,060	192,787	204,304
General and administration	(1) 585,766	658,522	693,653	583,954
Total operating expenses	<u>8,096,509</u>	<u>8,042,190</u>	<u>8,772,173</u>	<u>8,621,564</u>
Operating income (loss)	<u>547,143</u>	<u>209,155</u>	<u>(87,030)</u>	<u>385,588</u>
Nonoperating income (expense)				
Investment earnings	77,554	98,523	160,812	341,508
Connection fees	(2) -	3,751	17,224	2,122
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,263,478)	(1,311,768)	(1,347,719)	(1,387,097)
Gain (loss) on disposal of capital assets	8,744	(97,805)	-	-
Debt service transfer to County	(3) -	-	-	-
Total nonoperating income (expense)	<u>(1,177,180)</u>	<u>(1,307,299)</u>	<u>(1,169,683)</u>	<u>(1,043,467)</u>
Income (loss) before contributions and special item	<u>\$ (630,037)</u>	<u>\$ (1,098,144)</u>	<u>\$ (1,256,713)</u>	<u>\$ (657,879)</u>

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

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

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

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

Table 2

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,874,679	\$ 1,514,474	\$ 1,813,223	\$ 1,898,864	\$ 1,875,979	\$ 1,844,292
3,311,569	2,983,581	2,899,389	3,057,411	3,155,582	3,155,163
3,154,752	3,249,101	3,341,073	2,609,737	1,777,612	1,362,058
998,639	484,405	475,132	433,067	380,495	463,168
-	-	-	2,336	(126,303)	(153,336)
<u>9,339,639</u>	<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>
1,047,563	1,035,327	985,830	939,023	926,213	898,123
4,199,045	3,016,898	2,280,419	2,253,203	2,510,603	2,258,154
232,488	170,871	174,512	167,913	160,684	215,444
82,920	77,884	83,730	38,824	33,173	28,844
1,811,269	1,245,754	1,174,276	1,104,675	1,416,512	843,346
361,620	362,019	334,123	284,106	284,344	218,046
199,025	189,367	169,503	169,654	167,210	138,154
591,252	554,375	460,812	402,537	440,901	1,111,971
<u>8,525,182</u>	<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>
814,457	1,579,066	2,865,612	2,641,480	1,123,725	959,263
704,584	347,237	219,724	285,942	(12,884)	92,213
10,455	61,780	102,504	26,102	11,406	-
63,007	146,476	149,273	169,161	211,511	236,052
(1,238,663)	(711,028)	(405,501)	(610,808)	(496,504)	(722,772)
-	-	-	(550,816)	(1,416)	(16,660)
-	-	-	-	-	(331,253)
<u>(460,617)</u>	<u>(155,535)</u>	<u>66,000</u>	<u>(680,419)</u>	<u>(287,887)</u>	<u>(742,420)</u>
<u>\$ 353,840</u>	<u>\$ 1,423,531</u>	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</u>	<u>\$ 835,838</u>	<u>\$ 216,843</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating revenue				
Water sales	\$ 11,031,303	\$ 9,936,986	\$ 9,926,014	\$ 10,407,548
Sewage disposal sales	11,594,968	10,529,389	12,329,273	12,917,367
Surcharges and other usage fees	851,442	834,449	872,550	915,555
Other operating revenue	1,225,656	1,294,506	1,479,171	1,146,439
Sales discounts	(4) -	-	-	-
Total operating revenue	<u>24,703,369</u>	<u>22,595,330</u>	<u>24,607,008</u>	<u>25,386,909</u>
Operating expenses (2)				
Water distribution	6,572,089	5,977,514	5,640,889	6,409,114
Wastewater treatment	12,260,062	12,308,317	12,960,718	13,586,570
Wastewater pump stations	827,198	836,786	870,223	894,089
Industrial surveillance	282,360	289,628	395,712	258,143
Transmission and distribution	4,893,621	4,761,286	4,587,186	4,764,097
Meter service	944,861	798,393	988,036	1,100,178
Customer accounting and collections	493,251	582,120	649,444	668,413
General and administration	(1) 1,925,897	2,141,931	2,223,974	1,884,041
Total operating expenses	<u>28,199,339</u>	<u>27,695,975</u>	<u>28,316,182</u>	<u>29,564,645</u>
Operating income (loss)	<u>(3,495,970)</u>	<u>(5,100,645)</u>	<u>(3,709,174)</u>	<u>(4,177,736)</u>
Nonoperating income (expense)				
Investment earnings	160,074	166,734	302,066	657,142
Connection fees	(2) 2,304	-	576,389	153,738
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,505,565)	(1,381,451)	(1,364,821)	(1,396,240)
Gain (loss) on disposal of capital assets	22,373	(250,257)	3,602	32,337
Debt service transfer to County	(3) -	-	-	-
Total nonoperating income (expense)	<u>(1,320,814)</u>	<u>(1,464,974)</u>	<u>(482,764)</u>	<u>(553,023)</u>
Income (loss) before contributions and special item	<u>\$ (4,816,784)</u>	<u>\$ (6,565,619)</u>	<u>\$ (4,191,938)</u>	<u>\$ (4,730,759)</u>

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

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

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

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

Table 3

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 10,806,253	\$ 10,027,833	\$ 9,836,021	\$ 7,865,015	\$ 6,740,398	\$ 6,195,587
13,169,120	10,637,477	10,802,074	11,217,402	10,079,505	9,753,436
1,041,159	1,173,293	1,119,402	1,040,209	726,025	529,182
1,501,512	1,732,798	1,684,277	1,975,646	1,868,318	1,917,408
-	-	-	(82,441)	(579,682)	(713,387)
<u>26,518,044</u>	<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>
6,438,613	6,050,424	5,945,015	4,929,893	4,356,729	3,996,843
12,778,540	10,035,526	7,945,671	7,825,218	8,371,710	6,827,203
822,025	712,251	659,904	604,078	645,206	712,722
252,379	257,247	291,736	135,949	113,794	89,426
4,818,966	4,859,562	4,592,643	3,826,206	3,633,059	2,822,492
1,156,389	1,151,466	1,085,856	863,279	837,220	627,760
638,615	602,298	550,867	510,610	484,151	385,554
1,832,861	1,884,192	1,664,198	1,505,941	1,391,179	3,157,187
<u>28,738,388</u>	<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>(2,220,344)</u>	<u>(1,981,565)</u>	<u>705,884</u>	<u>1,814,657</u>	<u>(998,484)</u>	<u>(936,961)</u>
890,635	611,736	432,029	895,739	34,377	942,506
255,134	847,981	872,844	2,119,003	1,055,085	-
-	-	855,252	37,348	-	684,426
(1,508,790)	(398,675)	(546,244)	(609,769)	(526,609)	(986,338)
19,852	-	(75,287)	(1,418,642)	(1,417)	(49,801)
-	-	-	-	-	(883,462)
<u>(343,169)</u>	<u>1,061,042</u>	<u>1,538,594</u>	<u>1,023,679</u>	<u>561,436</u>	<u>(292,669)</u>
<u>\$ (2,563,513)</u>	<u>\$ (920,523)</u>	<u>\$ 2,244,478</u>	<u>\$ 2,838,336</u>	<u>\$ (437,048)</u>	<u>\$ (1,229,630)</u>

Table 4

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

Fiscal Year	(1) Gross Revenue	(2) Operating Expenses	Net Revenue Available for Debt Service	(3) Total Debt Service Requirement	Coverage
2011	\$ 33,586,953	\$ 26,167,217	\$ 7,419,736	\$ 5,683,760	1.31
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

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

(2) Excludes depreciation expense.

(3) Includes bonds and capital leases (excludes principal reduction on refunded debt).