

Ypsilanti
Community
Utilities
Authority



Years Ended
August 31, 2012
and 2011

Comprehensive
Annual Financial
Report (revised
and reissued)

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

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INTRODUCTORY SECTION

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September 14, 2013

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, 2012.

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, 2012 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, 2012 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 69% funded as of December 31, 2011 (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, 2012, there were 74 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 11 and 12 in the notes to the financial statements.

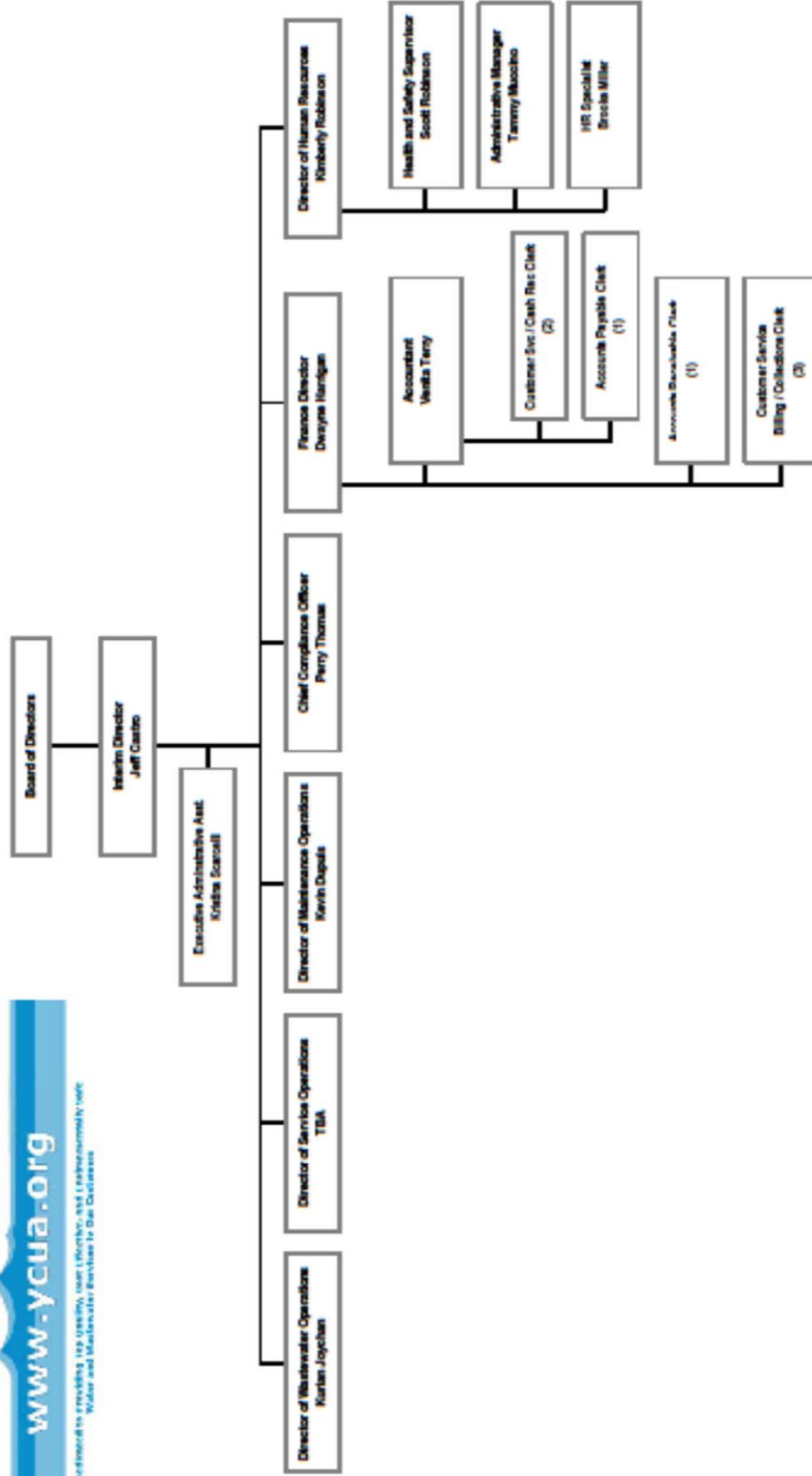
Acknowledgements

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.

Jeff Castro
Executive Director



August 31, 2012 Upper Management and Other Key Accounting Personnel



FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

September 14, 2013

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* (the "Authority") as of and for the years ended August 31, 2012 and 2011, 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, 2012 and 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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.

Rehmann Lobson LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Ypsilanti Community Utilities Authority (the "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, 2012, 2011 and 2010. We encourage readers to consider the information presented herein in conjunction with additional information that we have furnished in our letter of transmittal, as listed in the table of contents.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$182,814,568 (net assets). Of this amount, \$10,671,211 (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 \$5,894,154 for fiscal 2012 and by \$5,123,504 for fiscal 2011.
- The Authority's total long-term debt increased by a net of \$1,133,370 for fiscal 2012 and decreased by \$655,356 for fiscal 2011; new debt was issued during both years as described in detail in Note 7 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 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$182,814,568 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (86.9 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		
	2012	2011	2010
Current and other assets	\$ 18,459,127	\$ 16,824,917	\$ 17,230,284
Restricted assets	13,215,207	13,586,191	13,817,539
Capital assets	227,659,010	232,312,848	238,273,532
Total assets	259,333,344	262,723,956	269,321,355
Long-term liabilities outstanding	70,154,798	69,055,838	69,486,484
Other liabilities	6,363,978	4,959,396	6,002,645
Total liabilities	76,518,776	74,015,234	75,489,129
Net assets:			
Invested in capital assets, net of related debt	159,728,150	165,657,954	171,107,428
Restricted	13,215,207	13,586,191	13,817,539
Unrestricted	9,871,211	9,464,577	8,907,259
Total net assets	\$ 182,814,568	\$ 188,708,722	\$ 193,832,226

The Authority's net assets decreased by \$5,894,154 for fiscal 2012 and \$5,123,504 for fiscal 2011. Key elements of the 2012 changes include:

- Capital contributions to the Authority were \$.1 million (\$.2 million less than last year).
- Water sales increased by \$1.4 million (or 10.6%). There was a 5.5 percent increase in consumption and a rate increase of 7.0% in the City and a 7.0% increase in the Township. Corresponding direct costs for water distribution increased by \$0.8 million (or 6.6%).
- Sewage disposal sales decreased by \$.3 million (or 2.2%). Direct costs for treatment increased \$0.9 million (or 3.8%). Total wastewater billed by the City and Township was up 2.4%.
- Total operating expenses increased by \$1.7 million (or 4.6%) primarily reflecting the increase for purchasing water from the City of Detroit and transmission and distribution costs.
- The city division increased sewer rates by 3.0% and water rates increased by 7.0%; the surcharge decreased to 68.0%. These rates all became effective October 1, 2011.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The township division sewer rates increased by 3.0% and water rates increased 7.0%. The water rate increase became effective October 1, 2011. The surcharge rate remained unchanged at 5.0%.

	YCUA's Change in Net Assets		
	2012	2011	2010
Operating revenues	\$ 34,517,290	\$ 33,347,021	\$ 30,846,675
Expenses:			
Water distribution	13,717,834	12,902,066	12,134,221
Wastewater treatment	24,317,322	23,393,782	23,603,944
Total expenses	38,035,156	36,295,848	35,738,165
Operating loss	(3,517,866)	(2,948,827)	(4,891,490)
Nonoperating expenses	(2,508,067)	(2,497,994)	(2,772,273)
Loss before contributions	(6,025,933)	(5,446,821)	(7,663,763)
Capital contributions	131,779	323,317	3,264,999
Change in net assets	(5,894,154)	(5,123,504)	(4,398,764)
Net assets - beginning	188,708,722	193,832,226	198,230,990
Net assets - end of year	\$ 182,814,568	\$ 188,708,722	\$ 193,832,226

Key elements of the 2011 changes 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%). There was a 1.3% 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%).
- Sewage disposal sales increased by \$1.4 million (or 10.4%). There was a 10.4% increase in wastewater processed. Direct costs for treatment decreased \$.2 million (or 0.8%). Total wastewater billed by the City and Township was down 2.4%.
- Total operating expenses increased by \$.5 million (or 1.4%) 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%. 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%.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets and Debt Administration

Capital assets. YCUA's investment in capital assets as of August 31, 2012 amounted to \$227.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants, transmission lines, vehicles and other equipment. Total net capital assets decreased by \$4.6 million or 2 percent. The net decrease is primarily attributable to the depreciation of existing plant and systems.

	YCUA's Capital Assets		
	2012	2011	2010
Land	\$ 1,298,704	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,027,335	1,042,324	1,097,337
Wastewater treatment plant	105,596,226	111,883,238	116,240,391
Water and wastewater systems	108,710,578	109,720,504	110,741,720
Vehicles	833,392	953,795	684,626
Equipment	585,643	747,613	853,860
Construction in process	9,607,132	6,666,670	7,356,894
Total	\$ 227,659,010	\$ 232,312,848	\$ 238,273,532

Additional information on the Authority's capital assets can be found in Note 6.

Long-term debt. At year-end, the Authority had \$69,959,527 of long-term debt including limited tax obligation bonds, revenue bond and other obligations as summarized below.

	YCUA's Outstanding Debt		
	2012	2011	2010
Limited tax obligation bonds	\$ 40,863,071	\$ 38,029,701	\$ 37,035,057
Revenue bonds	28,055,000	29,755,000	31,405,000
Environmental liability	1,041,456	1,041,456	1,041,456
Total	\$ 69,959,527	\$ 68,826,157	\$ 69,481,513

Additional information on the Authority's long-term debt can be found in Note 7.

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 2013. 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 2012. Inflation in the local labor markets will remain moderate, whereas inflation in utility and health care costs will be significant. The Authority has increased operating costs to the Authority in response to the increased 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Authority's operating budget for fiscal 2013 is approximately \$39.5 million; key provisions include:

- An increase of 2.5% in budgeted operating revenue, attributable to an increase in water rates along with a conservative consumption forecast due to further anticipated economic slowdowns of our residential and manufacturing customers.
- A decrease of .03% in operating expenses due to the decrease in costs to offset the cost increase of water purchased from the City of Detroit.

The capital budget for fiscal 2013 totals approximately \$4.8 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 2013, about 2.0 miles of water main replacement are scheduled for replacement.
- The city division increased sewer rates by 5.0% and increased water rates by 3.0%; the surcharge remains at 68.0%. These rates all became effective December 1, 2012.
- The township division increased sewer rates by 5.0% and water rates increased by 3.0%. The rate increase became November 1, 2012. The surcharge rate remained unchanged at 5.0%.

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,	
	2012	2011
Assets		
Current assets:		
Cash and investments	\$ 9,673,074	\$ 8,596,980
Receivables, net	6,123,153	5,538,276
Inventories	1,143,691	1,037,421
Prepaid items	118,202	112,701
Total current assets	<u>17,058,120</u>	<u>15,285,378</u>
Noncurrent assets:		
Restricted assets:		
Cash and investments	10,396,426	10,771,401
Bond reserve funds held by City of Ypsilanti	2,818,781	2,814,790
Receivables, long-term portion	244,318	356,640
Capital assets not being depreciated	10,905,836	7,965,374
Capital assets being depreciated, net	216,753,174	224,347,474
Unamortized bond issuance costs	1,156,689	1,182,899
Total noncurrent assets	<u>242,275,224</u>	<u>247,438,578</u>
Total assets	<u>259,333,344</u>	<u>262,723,956</u>
Liabilities		
Current liabilities:		
Accounts payable	3,538,756	2,322,633
Retentions, deposits and other liabilities	2,199,221	2,029,486
Accrued interest payable	626,001	607,277
Current maturities of long-term liabilities	3,043,240	2,755,016
Current maturities of accrued compensated absences	591,241	679,744
Total current liabilities	<u>9,998,459</u>	<u>8,394,156</u>
Long-term liabilities:		
Bonds payable	65,337,620	64,349,878
Environmental liability	591,456	591,456
Accrued compensated absences	591,241	679,744
Total long-term liabilities	<u>66,520,317</u>	<u>65,621,078</u>
Total liabilities	<u>76,518,776</u>	<u>74,015,234</u>
Net assets		
Invested in capital assets, net of related debt	159,728,150	165,657,954
Restricted for special purposes	13,215,207	13,586,191
Unrestricted	9,871,211	9,464,577
Total net assets	<u>\$ 182,814,568</u>	<u>\$ 188,708,722</u>

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,	
	2012	2011
Operating revenues		
Water sales	\$ 14,548,680	\$ 13,148,378
Sewage disposal sales	14,479,442	14,805,649
Surcharges and other usage fees:		
Capital improvement surcharge	3,497,072	3,374,244
Construction reserve	293,554	283,587
Environmental reserve	99,997	99,344
Other operating revenue	1,598,545	1,635,819
Total operating revenues	<u>34,517,290</u>	<u>33,347,021</u>
Operating expenses		
Water distribution	9,036,006	7,792,536
Wastewater treatment	16,249,549	16,017,852
Wastewater pump stations	1,620,234	1,027,107
Industrial surveillance	393,651	368,906
Transmission and distribution	7,071,733	6,706,413
Meter service	1,280,659	1,229,452
Customer accounting and collections	594,560	641,919
General and administration	1,788,764	2,511,663
Total operating expenses	<u>38,035,156</u>	<u>36,295,848</u>
Operating loss	<u>(3,517,866)</u>	<u>(2,948,827)</u>
Nonoperating income (expense)		
Investment earnings	212,126	237,628
Connection fees	35,250	2,304
Interest and amortization expense	(2,757,137)	(2,769,043)
Gain on disposal of capital assets	1,694	31,117
Total nonoperating income (expense)	<u>(2,508,067)</u>	<u>(2,497,994)</u>
Loss before contributions	(6,025,933)	(5,446,821)
Capital contributions	<u>131,779</u>	<u>323,317</u>
Change in net assets	(5,894,154)	(5,123,504)
Net assets, beginning of year	<u>188,708,722</u>	<u>193,832,226</u>
Net assets, end of year	<u>\$ 182,814,568</u>	<u>\$ 188,708,722</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Cash Flows

	For the Year Ended August 31,	
	2012	2011
Cash flows from operating activities		
Receipts from customers and users	\$ 34,044,735	\$ 33,301,820
Payments to suppliers	(13,841,022)	(13,882,939)
Payments to employees and employee benefits	(12,408,600)	(13,132,400)
Net cash provided by operating activities	<u>7,795,113</u>	<u>6,286,481</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	10,943,776	4,059,644
Proceeds from federal grants for capital assets	130,159	62,802
Payment of bond issuance costs	(66,273)	(73,061)
Bond reserve funds deposited with the City of Ypsilanti	(3,991)	-
Acquisition and construction of capital assets	(5,814,304)	(3,907,434)
Proceeds from sale or disposal of capital assets	1,694	31,117
Principal payments on long-term debt	(3,363,818)	(4,715,000)
Payment to refunding bond escrow agent	(6,446,588)	-
Interest payments on long-term debt	(2,722,025)	(2,708,761)
Receipts from connection fees	35,250	2,304
Net cash used in capital and related financing activities	<u>(7,306,120)</u>	<u>(7,248,389)</u>
Cash flows from investing activities		
Earnings received on investments	<u>212,126</u>	<u>237,628</u>
Net change in cash and investments	701,119	(724,280)
Cash and investments, beginning of year	<u>19,368,381</u>	<u>20,092,661</u>
Cash and investments, end of year	<u>\$ 20,069,500</u>	<u>\$ 19,368,381</u>
Reconciliation to statements of net assets		
Cash and investments	\$ 9,673,074	\$ 8,596,980
Restricted cash and investments	<u>10,396,426</u>	<u>10,771,401</u>
Total cash and investments	<u>\$ 20,069,500</u>	<u>\$ 19,368,381</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Statements of Cash Flows

	For the Year Ended August 31,	
	2012	2011
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (3,517,866)	\$ (2,948,827)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	10,469,762	10,128,633
Amortization of bond issuance costs, discounts and deferred loss on refunding	218,691	214,427
Changes in current assets and liabilities:		
Receivables	(472,555)	(45,201)
Inventories	(106,270)	(33,371)
Prepaid items	(5,501)	(23,996)
Accounts payable	1,216,123	(915,417)
Retentions, deposits and other liabilities	169,735	(170,331)
Accrued compensated absences	(177,006)	80,564
Net cash provided by operating activities	<u>\$ 7,795,113</u>	<u>\$ 6,286,481</u>
Noncash items		
Capital contributions from developers	<u>\$ 1,620</u>	<u>\$ 260,515</u>

concluded.

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

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NOTES TO THE FINANCIAL STATEMENTS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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.

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 *nonoperating* 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 the Financial Statements

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 assets or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No net interest costs were capitalized for fiscal 2012 or 2011.

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

Assets	Years
Buildings and building improvements	40
Water and wastewater systems	5-50
Vehicles and heavy equipment	5-20
Machinery and equipment	5-20

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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.

Revision and Reissuance of Financial Statements

These financial statements (which were previously issued February 19, 2013) have been revised and reissued by management in order to correctly state the allocation of expenses between the water and wastewater divisions. The Authority's net assets have not changed as a result of the revision and reissuance of these financial statements.

2. 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.

3. DEPOSITS AND INVESTMENTS

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

	2012	2011
Statement of Net Assets:		
Cash and investments	\$ 9,673,074	\$ 8,596,980
Restricted cash and investments	10,396,426	10,771,401
Total	<u>\$ 20,069,500</u>	<u>\$ 19,368,381</u>
	2012	2011
Deposits and Investments:		
Bank deposits (checking accounts, savings accounts and certificate of deposits)	\$ 8,019,563	\$ 6,381,520
Investments in money market accounts	12,049,087	12,986,011
Cash on hand	850	850
Total	<u>\$ 20,069,500</u>	<u>\$ 19,368,381</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to the government. As of August 31, 2012, \$2,171,674 of the Authority's total bank balance of \$9,155,117 (total book balance was \$8,019,563) was exposed to custodial credit risk as it was uninsured and uncollateralized. 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.

The Authority's investment policy does not specifically address this risk, although the Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Authority evaluates each financial institution with which it deposits Authority funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority 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, 2012 and 2011, 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.

4. RECEIVABLES

Receivables as of August 31 are summarized as follows:

	2012	2011
Accounts, net of \$25,000 allowance	\$ 5,997,116	\$ 5,493,592
Accrued investment interest	9,583	9,583
Special assessments and benefit charges	360,772	391,741
Total receivables	6,367,471	5,894,916
Less long-term portion of benefit charges and special assessments	(244,318)	(356,640)
Current portion of receivables	<u>\$ 6,123,153</u>	<u>\$ 5,538,276</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 the Financial Statements

5. RESTRICTED ASSETS

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

Description / Reference	2012	2011
Township bond and interest reserve (Ordinance No. 11, section 13, amended by No. 47)	\$ 300,000	\$ 302,211
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	2,221,220	1,989,002
WWTP future construction reserve (WWTP construction agreement, as amended)	1,028,350	1,023,814
Flexible spending account (IRS regulatory requirement)	-	3,227
City construction reserve surcharge (Ordinance No. 697, section 2.137)	1,016,606	947,207
City debt retirement and capital improvement surcharge (Ordinance No. 696, amended by Ordinance No. 959)	374,927	459,850
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,570,732	1,337,660
EPA replacement reserve (EPA regulatory requirements)	1,579,221	2,811,973
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,985,987	1,879,995
Construction project bond/capital lease proceeds (Bond ordinances)	319,383	16,462
	<u>\$ 10,396,426</u>	<u>\$ 10,771,401</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	6,666,670	4,634,362	(1,693,900)	9,607,132
Total capital assets not being depreciated	<u>7,965,374</u>	<u>4,634,362</u>	<u>(1,693,900)</u>	<u>10,905,836</u>
Capital assets being depreciated:				
Buildings and improvements	2,176,058	40,024	-	2,216,082
Wastewater treatment plant	181,354,228	478,862	-	181,833,090
Water and wastewater systems	166,785,176	2,300,026	-	169,085,202
Vehicles	3,588,868	16,630	-	3,605,498
Equipment	5,454,632	39,920	-	5,494,552
Total capital assets being depreciated	<u>359,358,962</u>	<u>2,875,462</u>	<u>-</u>	<u>362,234,424</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,133,734)	(55,013)	-	(1,188,747)
Wastewater treatment plant	(69,470,990)	(6,765,874)	-	(76,236,864)
Water and wastewater systems	(57,064,672)	(3,309,952)	-	(60,374,624)
Vehicles	(2,635,073)	(137,033)	-	(2,772,106)
Equipment	(4,707,019)	(201,890)	-	(4,908,909)
Total accumulated depreciation	<u>(135,011,488)</u>	<u>(10,469,762)</u>	<u>-</u>	<u>(145,481,250)</u>
Total capital assets being depreciated, net	<u>224,347,474</u>	<u>(7,594,300)</u>	<u>-</u>	<u>216,753,174</u>
Total capital assets, net	<u>\$ 232,312,848</u>	<u>\$ (2,959,938)</u>	<u>\$ (1,693,900)</u>	<u>\$ 227,659,010</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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	<u>8,655,598</u>	<u>1,632,310</u>	<u>(2,322,534)</u>	<u>7,965,374</u>
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)	3,588,868
Equipment	5,326,132	128,500	-	5,454,632
Total capital assets being depreciated	<u>354,700,677</u>	<u>4,858,173</u>	<u>(199,888)</u>	<u>359,358,962</u>
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	(2,635,073)
Equipment	(4,472,272)	(234,747)		(4,707,019)
Total accumulated depreciation	<u>(125,082,743)</u>	<u>(10,128,633)</u>	<u>199,888</u>	<u>(135,011,488)</u>
Total capital assets being depreciated, net	<u>229,617,934</u>	<u>(5,270,460)</u>	<u>-</u>	<u>224,347,474</u>
Total capital assets, net	<u>\$ 238,273,532</u>	<u>\$ (3,638,150)</u>	<u>\$ (2,322,534)</u>	<u>\$ 232,312,848</u>

The Authority has active construction projects as of August 31, 2012. 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 the Financial Statements

7. 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, 2012 was \$58,203,886.

During fiscal 2012 and 2011, the cash draws against the Drinking Water Revolving Fund and Clean Water State Revolving Fund bonds amounted to \$2,248,776 and \$603,832, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$20,167,132 of which \$1,906,846 is still available and expected to be drawn as of August 31, 2012. In addition, during fiscal 2012, the Authority issued \$2,370,000 of water bonds and, 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, 2012 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1998 water (DWRf)	Twp	2.50%	\$ 1,347,056	\$ -	\$ (225,000)	\$ 1,122,056	\$ 230,000
1999 water (DWRf)	City	2.50%	475,000	-	(50,000)	425,000	50,000
2001 sewer	Twp	4.875%	350,000	-	(170,000)	180,000	180,000
2002 sewer	Twp	3.25-5.00%	6,500,000	-	(110,000)	6,390,000	115,000
2003 water	Twp	3.00-4.35%	7,110,000	-	(6,615,000)	495,000	335,000
2003 water (DWRf)	Twp	2.50%	7,385,000	-	(80,000)	7,305,000	80,000
2006 refunding	Twp	3.75-4.125%	1,445,000	-	(80,000)	1,365,000	85,000
2007 water refunding	Twp	4.00-4.10%	2,207,426	-	(145,000)	2,062,426	150,000
2007 water (DWRf)	City	2.125%	263,702	-	(10,000)	253,702	15,000
2007 water (DWRf)	Twp	2.125%	1,800,075	-	(90,000)	1,710,075	90,000
2008 water (DWRf)	Twp	2.50%	1,123,603	-	(135,390)	988,213	55,000
2008 water (DWRf)	City	2.50%	399,253	-	(20,000)	379,253	20,000
2009 water (DWRf)	City	2.50%	123,381	10,648	(5,000)	129,029	5,000
2009 water (DWRf)	Twp	2.50%	285,943	-	(15,000)	270,943	15,000
2010 water (SRF)	Shared	2.50%	673,585	6,566	(25,000)	655,151	30,000
2010 water (SRF)	Twp	2.50%	2,670,717	-	(120,000)	2,550,717	120,000
2010 water (SRF)	Twp	2.50%	414,148	-	(17,000)	397,148	20,000
2010 refunding	Twp	1.50-3.125%	1,650,812	-	(148,016)	1,502,796	153,240
2010 water	Twp	4.0-5.0%	1,805,000	-	(50,000)	1,755,000	50,000
2011 water refunding	Twp	2.0-4.0%	-	6,325,000	-	6,325,000	40,000
2012 water (DWRf)	Shared	2.50%	-	5,299	-	5,299	-
2012 water (DWRf)	City	2.50%	-	18,699	-	18,699	-
2012 water (DWRf)	Twp	2.50%	-	2,207,564	-	2,207,564	135,000
2012 water	Twp	2.0-4.0%	-	2,370,000	-	2,370,000	-
			<u>\$38,029,701</u>	<u>\$10,943,776</u>	<u>\$ (8,110,406)</u>	<u>\$40,863,071</u>	<u>\$ 1,973,240</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Limited tax obligation bonds outstanding at August 31, 2011 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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>

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 2012, the Authority issued \$6,325,000 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 \$6,615,000 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 \$151,588, 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 \$650,307 and an economic gain \$512,505.

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 the Financial Statements

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

Year Ended August 31,	Principal	Interest
2013	\$ 1,973,240	\$ 1,291,231
2014	2,076,723	1,262,893
2015	2,105,204	1,204,361
2016	2,216,947	1,146,676
2017	2,237,485	1,082,514
2018-2022	11,145,252	4,391,545
2023-2027	11,116,128	2,524,293
2028-2032	9,718,938	708,335
2033-2037	180,000	7,200
	<u>42,769,917</u>	<u>\$13,619,048</u>
Less amount remaining to draw on outstanding projects	<u>(1,906,846)</u>	
	<u>\$ 40,863,071</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 is 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, 2012 was \$49,455,000. No new or refunding revenue bonds were issued during 2012 or 2011.

Revenue bonds outstanding at August 31, 2012 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2001 water and sewer	City	4.25-8.75%	\$ 940,000	\$ -	\$ (70,000)	\$ 870,000	\$ -
2002A water and sewer	City	4.00-5.00%	1,100,000	-	(100,000)	1,000,000	-
2002B water (DWRf)	City	2.50%	305,000	-	(25,000)	280,000	25,000
2002C water and sewer	City	4.00-4.75%	3,535,000	-	(280,000)	3,255,000	-
2003A water and sewer	City	3.00-4.10%	1,535,000	-	(520,000)	1,015,000	-
2003B water and sewer	City	3.50-4.25%	1,280,000	-	(40,000)	1,240,000	-
2003C water (DWRf)	City	2.50%	555,000	-	(35,000)	520,000	40,000
2003D water (DWRf)	City	2.50%	3,735,000	-	(245,000)	3,490,000	255,000
2004A water and sewer	City	3.30-4.55%	2,270,000	-	(70,000)	2,200,000	-
2004B water (DWRf)	City	2.125%	4,705,000	-	(290,000)	4,415,000	300,000
2006 refunding	City	3.75-4.125%	9,795,000	-	(25,000)	9,770,000	-
			<u>\$29,755,000</u>	<u>\$ -</u>	<u>\$ (1,700,000)</u>	<u>\$28,055,000</u>	<u>\$ 620,000</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Revenue bonds outstanding at August 31, 2011 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2001 water and sewer	City	4.25-8.75%	\$ 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>

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

Year Ended August 31,	Principal	Interest
2013	\$ 620,000	\$ 193,880
2014	1,780,000	965,960
2015	1,840,000	903,074
2016	1,725,000	840,110
2017	1,790,000	777,380
2018-2022	9,935,000	2,866,259
2023-2027	9,165,000	1,062,646
2028	1,200,000	25,175
	<u>\$28,055,000</u>	<u>\$ 7,634,484</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 \$1,250,000 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 or requested since 2009.

Accordingly, the Authority's obligation for this matter is carried on the financial statements until it is released from the agreement 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.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

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

Changes in long-term debt. Following is a summary of long-term debt activity for the years ended August 31, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$38,029,701	\$10,943,776	\$ (8,110,406)	\$40,863,071	\$ 1,973,240
Revenue bonds	29,755,000	-	(1,700,000)	28,055,000	620,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	1,359,488	1,027,836	(1,204,842)	1,182,482	591,241
	70,185,645	11,971,612	(11,015,248)	71,142,009	3,634,481
Deduct deferred amounts for:					
Issuance discounts	(486,658)	171,677	25,087	(289,894)	-
Deferred loss on refunding	(680,172)	(151,588)	101,122	(730,638)	-
Deferred gain on refunding	37,023	-	(3,702)	33,321	-
	<u>\$69,055,838</u>	<u>\$11,991,701</u>	<u>\$(10,892,741)</u>	<u>\$70,154,798</u>	<u>\$ 3,634,481</u>

Following is a summary of long-term debt activity for the years ended August 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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
	70,760,437	5,062,411	(5,637,203)	70,185,645	3,434,760
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>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

8. CAPITAL CONTRIBUTIONS

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

	2012	2011
Federal government	\$ 130,159	\$ 62,802
Private developers	1,620	260,515
	<u>\$ 131,779</u>	<u>\$ 323,317</u>

9. 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.

10. 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.

11. 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 15.65% 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 the Financial Statements

For the year ended August 31, 2012, the Authority's annual pension cost of \$1,122,916 was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2011 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, 2011, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information			
Annual Years Ended August 31,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2010	\$ 1,046,865	100%	\$ -
2011	1,095,324	100%	-
2012	1,122,916	100%	-

The funded status of the plan as of December 31, 2011, the date of the last latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 42,796,960
Actuarial value of plan assets	<u>29,488,169</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,308,791</u>
Funded ratio	68.9%
Covered payroll (active plan members)	\$ 7,234,372
UAAL as a percentage of covered payroll	184.0%

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 the Financial Statements

12. 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 the 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 74 retirees that were eligible and receiving benefits for the year ended August 31, 2012; as the plan is closed to new hires, there are 105 active employees eligible for future benefits. 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, 2012, the Authority estimated the cost of providing retiree health care benefits through an actuarial valuation as of December 31, 2010. 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 30 years. The current combined ARC is 49.36% of annual covered payroll.

For fiscal 2012, 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	\$ 2,724,992
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>2,724,992</u>
Payments of current costs	<u>(2,724,992)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the 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 two years were as follows:

Year Ended	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
8/31/10	\$ 2,426,808	\$ 2,426,808	100%	\$ -
8/31/11	2,598,816	2,598,816	100%	-
8/31/12	2,724,992	2,724,992	100%	-

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>\$ 22,316,080</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.

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

13. ALLOCATION METHODS

Financial information of the Authority can be 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.

14. SUBSEQUENT EVENTS

In February through April 2013, the Authority Board approved three bond issues totaling \$8.5 million to fund certain Township water and wastewater projects and to refund certain previously issued bonds.

15. 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, 2012 is presented below.

	Condensed Statement of Net Assets		
	City	Township	Totals
Assets			
Current and other assets	\$ 11,246,159	\$ 20,428,175	\$ 31,674,334
Capital assets	67,032,795	160,626,215	227,659,010
Total assets	78,278,954	181,054,390	259,333,344
Liabilities			
Long-term liabilities	29,217,569	40,937,229	70,154,798
Other liabilities	1,925,031	4,438,947	6,363,978
Total liabilities	31,142,600	45,376,176	76,518,776
Net assets			
Invested in capital assets, net of related debt	37,977,374	121,750,776	159,728,150
Restricted	3,516,046	9,699,161	13,215,207
Unrestricted	5,642,934	4,228,277	9,871,211
Total net assets	\$ 47,136,354	\$ 135,678,214	\$ 182,814,568

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

Condensed Statement of Revenues, Expenses and Changes in Net Assets							
	City			Township			Totals
	Water	Wastewater	Total	Water	Wastewater	Total	
Operating revenue	\$ 4,029,120	\$ 4,702,114	\$ 8,731,234	\$ 12,743,706	\$ 13,042,350	\$ 25,786,056	\$ 34,517,290
Operating expenses							
Depreciation	832,140	1,715,382	2,547,522	1,278,249	6,643,991	7,922,240	10,469,762
Other operating	2,101,741	3,617,562	5,719,303	9,505,704	12,340,387	21,846,091	27,565,394
	<u>2,933,881</u>	<u>5,332,944</u>	<u>8,266,825</u>	<u>10,783,953</u>	<u>18,984,378</u>	<u>29,768,331</u>	<u>38,035,156</u>
Operating income (loss)	1,095,239	(630,830)	464,409	1,959,753	(5,942,028)	(3,982,275)	(3,517,866)
Nonoperating expense	(377,497)	(767,416)	(1,144,913)	(403,768)	(959,386)	(1,363,154)	(2,508,067)
Capital contributions	7,052	-	7,052	124,727	-	124,727	131,779
	<u>7,052</u>	<u>-</u>	<u>7,052</u>	<u>124,727</u>	<u>-</u>	<u>124,727</u>	<u>131,779</u>
Change in net assets	<u>\$ 724,794</u>	<u>\$ (1,398,246)</u>	<u>(673,452)</u>	<u>\$ 1,680,712</u>	<u>\$ (6,901,414)</u>	<u>(5,220,702)</u>	<u>(5,894,154)</u>
Net assets							
Beginning of year			<u>47,809,806</u>			<u>140,898,916</u>	<u>188,708,722</u>
End of year			<u>\$ 47,136,354</u>			<u>\$ 135,678,214</u>	<u>\$ 182,814,568</u>



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REQUIRED SUPPLEMENTAL INFORMATION

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Defined Benefit Pension Plan

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%
2011	29,488,169	42,796,960	13,308,791	68.9%	7,234,372	184.0%

Schedule of Employer Contributions			
Fiscal Year Ended August 31	Annual Contribution Required	Actual	Percentage Contributed
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%
2012	1,122,916	1,122,916	100.0%

See Note 11 on page 33 for further information regarding the Authority's defined benefit pension plan.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Other Postemployment Benefits

Schedule of Funding Progress						
Actuarial Valuation as of December 31	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) - Entry Age	(3) Unfunded AAL (UAAL) (2-1)	(4) Funded Ratio (1/2)	(5) Annual Covered Payroll	(6) UAAL as a % of Covered Payroll (3/5)
2007	\$ 2,985,517	\$31,101,121	\$28,115,604	9.6%	\$ 7,722,755	364.1%
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 Required	Actual	Percentage Contributed
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%
2012	2,724,992	2,724,992	100.0%

See Note 12 on page 35 for further information regarding the Authority's OPEB plan.

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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, 2012

	City	Township	Total
Operating revenues			
Water sales	\$ 2,350,010	\$ 12,198,670	\$ 14,548,680
Sewage disposal sales	2,976,710	11,502,732	14,479,442
Surcharges and other usage fees:			
Capital improvement surcharge	2,940,811	556,261	3,497,072
Construction reserve	66,436	227,118	293,554
Environmental reserve	-	99,997	99,997
Other operating revenue	397,267	1,201,278	1,598,545
Total operating revenues	8,731,234	25,786,056	34,517,290
Operating expenses			
Water distribution	1,495,435	7,540,571	9,036,006
Wastewater treatment	3,622,023	12,627,526	16,249,549
Wastewater pump stations	308,345	1,311,889	1,620,234
Industrial surveillance	87,743	305,908	393,651
Transmission and distribution	1,927,194	5,144,539	7,071,733
Meter service	296,564	984,095	1,280,659
Customer accounting and collections	137,699	456,861	594,560
General and administration	391,822	1,396,942	1,788,764
Total operating expenses	8,266,825	29,768,331	38,035,156
Operating income (loss)	464,409	(3,982,275)	(3,517,866)
Nonoperating income (expense)			
Investment earnings	72,503	139,623	212,126
Connection fees	9,354	25,896	35,250
Interest and amortization expense	(1,226,770)	(1,530,367)	(2,757,137)
Gain on disposal of capital assets	-	1,694	1,694
Total nonoperating expense	(1,144,913)	(1,363,154)	(2,508,067)
Loss before contributions	(680,504)	(5,345,429)	(6,025,933)
Capital contributions	7,052	124,727	131,779
Change in net assets	(673,452)	(5,220,702)	(5,894,154)
Net assets, beginning of year	47,809,806	140,898,916	188,708,722
Net assets, end of year	\$ 47,136,354	\$ 135,678,214	\$ 182,814,568

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Revenues, Expenses and Changes in Net Assets

Water and Wastewater Allocation

For the Year Ended August 31, 2012

	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 14,548,680	\$ -	\$ 14,548,680
Sewage disposal sales	-	14,479,442	14,479,442
Surcharges and other usage fees:			
Capital improvement surcharge	1,941,825	1,555,247	3,497,072
Construction reserve	165,742	127,812	293,554
Environmental reserve	-	99,997	99,997
Other operating revenue	116,579	1,481,966	1,598,545
Total operating revenues	16,772,826	17,744,464	34,517,290
Operating expenses			
Water distribution	9,036,006	-	9,036,006
Wastewater treatment	-	16,249,549	16,249,549
Wastewater pump stations	-	1,620,234	1,620,234
Industrial surveillance	-	393,651	393,651
Transmission and distribution	2,979,298	4,092,435	7,071,733
Meter service	640,329	640,330	1,280,659
Customer accounting and collections	297,279	297,281	594,560
General and administration	764,922	1,023,842	1,788,764
Total operating expenses	13,717,834	24,317,322	38,035,156
Operating income (loss)	3,054,992	(6,572,858)	(3,517,866)
Nonoperating income (expense)			
Investment earnings	119,360	92,766	212,126
Connection fees	17,625	17,625	35,250
Interest and amortization expense	(918,250)	(1,838,887)	(2,757,137)
Gain on disposal of capital assets	-	1,694	1,694
Total nonoperating expense	(781,265)	(1,726,802)	(2,508,067)
Income (loss) before contributions	2,273,727	(8,299,660)	(6,025,933)
Capital contributions	131,779	-	131,779
Change in net assets	\$ 2,405,506	\$ (8,299,660)	\$ (5,894,154)

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Schedule of Revenues and Expenses

Water and Wastewater Allocation by Member
For the Year Ended August 31, 2012

	City		
	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 2,350,010	\$ -	\$ 2,350,010
Sewage disposal sales	-	2,976,710	2,976,710
Surcharges and other usage fees:			
Capital improvement surcharge	1,602,437	1,338,374	2,940,811
Construction reserve	36,449	29,987	66,436
Environmental reserve	-	-	-
Other operating revenue	40,224	357,043	397,267
Total operating revenue	4,029,120	4,702,114	8,731,234
Operating expenses			
Water distribution	1,495,435	-	1,495,435
Wastewater treatment	-	3,622,023	3,622,023
Wastewater pump stations	-	308,345	308,345
Industrial surveillance	-	87,743	87,743
Transmission and distribution	1,055,043	872,151	1,927,194
Meter service	148,279	148,285	296,564
Customer accounting and collections	68,845	68,854	137,699
General and administration	166,279	225,543	391,822
Total operating expenses	2,933,881	5,332,944	8,266,825
Operating income (expense)	1,095,239	(630,830)	464,409
Nonoperating income (expense)			
Investment earnings	37,779	34,724	72,503
Connection fees	4,677	4,677	9,354
Interest and amortization expense	(419,953)	(806,817)	(1,226,770)
Gain on disposal of capital assets	-	-	-
Total nonoperating expense	(377,497)	(767,416)	(1,144,913)
Income (loss) before contributions	717,742	(1,398,246)	(680,504)
Capital contributions	7,052	-	7,052
Change in net assets	\$ 724,794	\$ (1,398,246)	\$ (673,452)

Township			
Water	Wastewater	Total	Total
\$ 12,198,670	\$ -	\$ 12,198,670	\$ 14,548,680
-	11,502,732	11,502,732	14,479,442
339,388	216,873	556,261	3,497,072
129,293	97,825	227,118	293,554
-	99,997	99,997	99,997
76,355	1,124,923	1,201,278	1,598,545
<u>12,743,706</u>	<u>13,042,350</u>	<u>25,786,056</u>	<u>34,517,290</u>
7,540,571	-	7,540,571	9,036,006
-	12,627,526	12,627,526	16,249,549
-	1,311,889	1,311,889	1,620,234
-	305,908	305,908	393,651
1,924,255	3,220,284	5,144,539	7,071,733
492,050	492,045	984,095	1,280,659
228,434	228,427	456,861	594,560
598,643	798,299	1,396,942	1,788,764
<u>10,783,953</u>	<u>18,984,378</u>	<u>29,768,331</u>	<u>38,035,156</u>
<u>1,959,753</u>	<u>(5,942,028)</u>	<u>(3,982,275)</u>	<u>(3,517,866)</u>
81,581	58,042	139,623	212,126
12,948	12,948	25,896	35,250
(498,297)	(1,032,070)	(1,530,367)	(2,757,137)
-	1,694	1,694	1,694
<u>(403,768)</u>	<u>(959,386)</u>	<u>(1,363,154)</u>	<u>(2,508,067)</u>
1,555,985	(6,901,414)	(5,345,429)	(6,025,933)
124,727	-	124,727	131,779
<u>\$ 1,680,712</u>	<u>\$ (6,901,414)</u>	<u>\$ (5,220,702)</u>	<u>\$ (5,894,154)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2012

	City	Township	Total
Water distribution			
Wages	\$ 67,776	\$ 332,318	\$ 400,094
Benefits allocation	58,237	285,548	343,785
Purchased water	1,311,909	6,432,534	7,744,443
Utilities	2,367	219,792	222,159
Maintenance and supplies	6,300	30,886	37,186
Depreciation	2,633	12,912	15,545
Other	6,965	34,138	41,103
Fleet allocation	796	3,902	4,698
Engineering allocation	1,519	7,446	8,965
Information technology allocation	2,807	13,766	16,573
Maintenance allocation	34,126	167,329	201,455
	<u>1,495,435</u>	<u>7,540,571</u>	<u>9,036,006</u>
Wastewater treatment			
Wages	318,349	1,109,866	1,428,215
Benefits allocation	273,545	953,663	1,227,208
Utilities	510,688	1,780,425	2,291,113
Sludge removal	11,365	39,620	50,985
Maintenance	175,528	611,949	787,477
Engineering	7,040	24,544	31,584
Laboratory	3,192	11,130	14,322
Chemicals	101,846	355,067	456,913
Depreciation	1,545,920	5,389,567	6,935,487
Other	24,542	85,560	110,102
Fleet allocation	62,661	218,455	281,116
Engineering allocation	12,414	43,277	55,691
Information technology allocation	19,072	66,490	85,562
Maintenance allocation	427,533	1,490,515	1,918,048
Laboratory allocation	128,328	447,398	575,726
	<u>3,622,023</u>	<u>12,627,526</u>	<u>16,249,549</u>
Wastewater pump stations			
Wages	86,606	301,935	388,541
Benefits allocation	74,417	259,441	333,858
Utilities	111,084	442,243	553,327
Maintenance and supplies	30,442	106,128	136,570
Engineering	122	426	548
Depreciation	2,158	7,524	9,682
Other	-	181,932	181,932
Engineering allocation	3,516	12,260	15,776
	<u>308,345</u>	<u>1,311,889</u>	<u>1,620,234</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2012

	City	Township	Total
Industrial surveillance			
Wages	\$ 42,963	\$ 149,784	\$ 192,747
Benefits allocation	36,917	128,703	165,620
Depreciation	-	-	-
Other	2,294	8,006	10,300
Fleet allocation	1,875	6,536	8,411
Information technology allocation	3,694	12,879	16,573
	<u>87,743</u>	<u>305,908</u>	<u>393,651</u>
Transmission and distribution			
Wages	360,883	1,059,917	1,420,800
Benefits allocation	314,202	906,632	1,220,834
Utilities	13,905	40,836	54,741
Sewer overflow settlements	1,951	7,466	9,417
Maintenance:			
Shop and office	6,234	18,308	24,542
Water and sewer mains	35,711	110,850	146,561
Depreciation	923,472	2,267,709	3,191,181
Other	71,183	200,608	271,791
Fleet allocation	102,972	329,311	432,283
Engineering allocation	48,549	142,589	191,138
Information technology allocation	15,427	45,308	60,735
Maintenance allocation	32,705	15,005	47,710
	<u>1,927,194</u>	<u>5,144,539</u>	<u>7,071,733</u>
Meter service			
Wages	130,885	434,251	565,136
Benefits allocation	112,465	373,133	485,598
Utilities	569	2,042	2,611
Maintenance and supplies	2,008	6,663	8,671
Meter parts	9,416	31,243	40,659
Depreciation	29,538	98,000	127,538
Other	1,791	5,941	7,732
Fleet allocation	6,054	20,087	26,141
Information technology allocation	3,838	12,735	16,573
	<u>296,564</u>	<u>984,095</u>	<u>1,280,659</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2012

	City	Township	Total
Customer accounting and collections			
Wages	\$ 55,152	\$ 182,982	\$ 238,134
Benefits allocation	47,390	157,229	204,619
Utilities	3,939	13,068	17,007
Maintenance and supplies	9,222	30,599	39,821
Postage	11,869	39,380	51,249
Depreciation	2,185	7,249	9,434
Other	273	909	1,182
Information technology allocation	7,669	25,445	33,114
	<u>137,699</u>	<u>456,861</u>	<u>594,560</u>
General and administrative			
Wages	41,191	143,606	184,797
Benefits allocation	35,394	123,394	158,788
Utilities	1,015	3,366	4,381
Maintenance and supplies	926	3,227	4,153
Engineering	431	1,505	1,936
Building and liability insurance	37,697	131,423	169,120
Legal and settlements	7,926	27,633	35,559
Other professional services	3,467	12,088	15,555
Depreciation	3,892	13,569	17,461
Other	3,715	10,944	14,659
Bad debt expense	1,253	57,986	59,239
Fleet allocation	1,131	3,945	5,076
Engineering allocation	24,200	84,370	108,570
Information technology allocation	3,694	12,879	16,573
Maintenance allocation	290	1,011	1,301
Human resource allocation	110,418	371,892	482,310
Accounting allocation	115,182	394,104	509,286
	<u>391,822</u>	<u>1,396,942</u>	<u>1,788,764</u>
Fleet			
Wages	41,539	137,817	179,356
Benefits allocation	35,693	118,421	154,114
Maintenance parts and supplies	19,035	63,152	82,187
Gas, oil and grease	35,901	119,112	155,013
Insurance	9,621	31,921	41,542
Depreciation	32,139	106,629	138,768
Other	1,561	5,184	6,745
Allocated to various departments	(175,489)	(582,236)	(757,725)
	<u>-</u>	<u>-</u>	<u>-</u>

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2012

	City	Township	Total
Human resources			
Wages	\$ 49,816	\$ 167,798	\$ 217,614
Benefits allocation	42,805	144,182	186,987
Utilities	504	1,670	2,174
Safety program	598	2,014	2,612
Training and education	511	1,722	2,233
Legal and professional	3,481	11,724	15,205
Physicals	1,806	6,084	7,890
Office supplies	262	882	1,144
Depreciation	2,578	8,684	11,262
Other	4,895	16,483	21,378
Information technology allocation	3,162	10,649	13,811
Allocated to general and administrative	(110,418)	(371,892)	(482,310)
	-	-	-
Benefits and payroll taxes			
Health insurance	995,327	3,352,622	4,347,949
Life insurance	2,850	9,598	12,448
Disability insurance	10,731	36,144	46,875
Social security	126,985	427,731	554,716
Workers compensation	8,542	28,772	37,314
Pension contribution	257,057	865,859	1,122,916
Unemployment	6,744	22,715	29,459
Uniforms	2,790	9,397	12,187
Allocated to various departments	(1,411,026)	(4,752,838)	(6,163,864)
	-	-	-
Maintenance			
Wages	252,217	853,511	1,105,728
Benefits allocation	216,720	733,388	950,108
Utilities	916	3,099	4,015
Office and supplies	11,248	38,073	49,321
Other professional services	34	116	150
Depreciation	788	2,665	3,453
Other	1,380	4,672	6,052
Information technology allocation	11,333	38,354	49,687
Allocated to various departments	(494,636)	(1,673,878)	(2,168,514)
	-	-	-

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2012

	City	Township	Total
Engineering			
Wages	\$ 45,088	\$ 157,192	\$ 202,280
Benefits allocation	38,742	135,069	173,811
Maintenance and supplies	463	1,612	2,075
Engineering	71	249	320
Other professional services	56	194	250
Other	315	1,096	1,411
Allocated to various departments	(84,735)	(295,412)	(380,147)
	-	-	-
Information Technology			
Wages	33,673	117,395	151,068
Benefits allocation	28,934	100,873	129,807
Maintenance and supplies	7,922	27,615	35,537
Other	239	834	1,073
Allocated to various departments	(70,768)	(246,717)	(317,485)
	-	-	-
Laboratory			
Wages	64,131	223,579	287,710
Benefits allocation	55,105	192,113	247,218
Utilities	261	911	1,172
Maintenance and supplies	4,190	14,607	18,797
Contractual services	2,511	8,758	11,269
Depreciation	1,733	6,043	7,776
Other	397	1,387	1,784
Allocated to wastewater treatment	(128,328)	(447,398)	(575,726)
	-	-	-
Accounting			
Wages	47,085	164,153	211,238
Benefits allocation	40,458	141,051	181,509
Utilities	271	899	1,170
Office supplies	1,583	5,519	7,102
Audit and accounting services	12,564	43,803	56,367
Depreciation	485	1,689	2,174
Other	10,889	30,551	41,440
Information technology allocation	1,847	6,439	8,286
Allocated to general and administrative	(115,182)	(394,104)	(509,286)
	-	-	-
Total operating expenses	\$ 8,266,825	\$ 29,768,331	\$ 38,035,156

concluded.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation
For the Year Ended August 31, 2012

	Water	Wastewater	Total
Water distribution			
Wages	\$ 400,094	\$ -	\$ 400,094
Benefits allocation	343,785	-	343,785
Purchased water	7,744,443	-	7,744,443
Utilities	222,159	-	222,159
Maintenance and supplies	37,186	-	37,186
Depreciation	15,545	-	15,545
Other	41,103	-	41,103
Fleet allocation	4,698	-	4,698
Engineering allocation	8,965	-	8,965
Information technology allocation	16,573	-	16,573
Maintenance allocation	201,455	-	201,455
	<u>9,036,006</u>	<u>-</u>	<u>9,036,006</u>
Wastewater treatment			
Wages	-	1,428,215	1,428,215
Benefits allocation	-	1,227,208	1,227,208
Utilities	-	2,291,113	2,291,113
Sludge removal	-	50,985	50,985
Maintenance	-	787,477	787,477
Engineering	-	31,584	31,584
Laboratory	-	14,322	14,322
Chemicals	-	456,913	456,913
Depreciation	-	6,935,487	6,935,487
Other	-	110,102	110,102
Fleet allocation	-	281,116	281,116
Engineering allocation	-	55,691	55,691
Information technology allocation	-	85,562	85,562
Maintenance allocation	-	1,918,048	1,918,048
Laboratory allocation	-	575,726	575,726
	<u>-</u>	<u>16,249,549</u>	<u>16,249,549</u>
Wastewater pump stations			
Wages	-	388,541	388,541
Benefits allocation	-	333,858	333,858
Utilities	-	553,327	553,327
Maintenance and supplies	-	136,570	136,570
Engineering	-	548	548
Depreciation	-	9,682	9,682
Other	-	181,932	181,932
Engineering allocation	-	15,776	15,776
	<u>-</u>	<u>1,620,234</u>	<u>1,620,234</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation
For the Year Ended August 31, 2012

	Water	Wastewater	Total
Industrial surveillance			
Wages	\$ -	\$ 192,747	\$ 192,747
Benefits allocation	-	165,620	165,620
Depreciation	-	-	-
Other	-	10,300	10,300
Fleet allocation	-	8,411	8,411
Information technology allocation	-	16,573	16,573
	<u>-</u>	<u>393,651</u>	<u>393,651</u>
Transmission and distribution			
Wages	361,025	1,059,775	1,420,800
Benefits allocation	313,605	907,229	1,220,834
Utilities	13,910	40,831	54,741
Sewer overflow settlements	-	9,417	9,417
Maintenance:			
Shop and office	6,236	18,306	24,542
Water and sewer mains	37,335	109,226	146,561
Depreciation	1,989,773	1,201,408	3,191,181
Other	68,912	202,879	271,791
Fleet allocation	109,792	322,491	432,283
Engineering allocation	48,568	142,570	191,138
Information technology allocation	15,779	44,956	60,735
Maintenance allocation	14,363	33,347	47,710
	<u>2,979,298</u>	<u>4,092,435</u>	<u>7,071,733</u>
Meter service			
Wages	282,568	282,568	565,136
Benefits allocation	242,799	242,799	485,598
Utilities	1,305	1,306	2,611
Maintenance and supplies	4,335	4,336	8,671
Meter parts	20,330	20,329	40,659
Depreciation	63,769	63,769	127,538
Other	3,866	3,866	7,732
Fleet allocation	13,071	13,070	26,141
Information technology allocation	8,286	8,287	16,573
	<u>640,329</u>	<u>640,330</u>	<u>1,280,659</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation
For the Year Ended August 31, 2012

	Water	Wastewater	Total
Customer accounting and collections			
Wages	\$ 119,067	\$ 119,067	\$ 238,134
Benefits allocation	102,310	102,309	204,619
Utilities	8,503	8,504	17,007
Maintenance and supplies	19,910	19,911	39,821
Postage	25,624	25,625	51,249
Depreciation	4,717	4,717	9,434
Other	591	591	1,182
Information technology allocation	16,557	16,557	33,114
	<u>297,279</u>	<u>297,281</u>	<u>594,560</u>
General and administrative			
Wages	92,398	92,399	184,797
Benefits allocation	79,394	79,394	158,788
Utilities	2,190	2,191	4,381
Maintenance and supplies	2,077	2,076	4,153
Engineering	968	968	1,936
Building and liability insurance	84,560	84,560	169,120
Legal and settlements	17,779	17,780	35,559
Other professional services	7,778	7,777	15,555
Depreciation	8,731	8,730	17,461
Other	7,329	7,330	14,659
Bad debt expense	29,619	29,620	59,239
Fleet allocation	2,538	2,538	5,076
Engineering allocation	54,285	54,285	108,570
Information technology allocation	8,286	8,287	16,573
Maintenance allocation	651	650	1,301
Human resource allocation	111,695	370,615	482,310
Accounting allocation	254,644	254,642	509,286
	<u>764,922</u>	<u>1,023,842</u>	<u>1,788,764</u>
Fleet			
Wages	30,795	148,561	179,356
Benefits allocation	26,461	127,653	154,114
Maintenance parts and supplies	14,111	68,076	82,187
Gas, oil and grease	26,615	128,398	155,013
Insurance	7,133	34,409	41,542
Depreciation	23,826	114,942	138,768
Other	1,158	5,587	6,745
Allocated to various departments	(130,099)	(627,626)	(757,725)
	<u>-</u>	<u>-</u>	<u>-</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation
For the Year Ended August 31, 2012

	Water	Wastewater	Total
Human resources			
Wages	\$ 50,131	\$ 167,483	\$ 217,614
Benefits allocation	43,076	143,911	186,987
Utilities	1,087	1,087	2,174
Safety program	602	2,010	2,612
Training and education	514	1,719	2,233
Legal and professional	3,503	11,702	15,205
Physicals	1,818	6,072	7,890
Office supplies	263	881	1,144
Depreciation	2,594	8,668	11,262
Other	4,925	16,453	21,378
Information technology allocation	3,182	10,629	13,811
Allocated to general and administrative	(111,695)	(370,615)	(482,310)
	-	-	-
Benefits and payroll taxes			
Health insurance	1,001,622	3,346,327	4,347,949
Life insurance	2,868	9,580	12,448
Disability insurance	10,799	36,076	46,875
Social security	127,788	426,928	554,716
Workers compensation	8,596	28,718	37,314
Pension contribution	258,682	864,234	1,122,916
Unemployment	6,786	22,673	29,459
Uniforms	2,808	9,379	12,187
Allocated to various departments	(1,419,949)	(4,743,915)	(6,163,864)
	-	-	-
Maintenance			
Wages	110,377	995,351	1,105,728
Benefits allocation	94,843	855,265	950,108
Utilities	401	3,614	4,015
Office and supplies	4,924	44,397	49,321
Other professional services	15	135	150
Depreciation	345	3,108	3,453
Other	604	5,448	6,052
Information technology allocation	4,960	44,727	49,687
Allocated to various departments	(216,469)	(1,952,045)	(2,168,514)
	-	-	-

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses

Water and Wastewater Allocation
For the Year Ended August 31, 2012

	Water	Wastewater	Total
Engineering			
Wages	\$ 59,503	\$ 142,777	\$ 202,280
Benefits allocation	51,128	122,683	173,811
Maintenance and supplies	610	1,465	2,075
Engineering	94	226	320
Other professional services	74	176	250
Other	416	995	1,411
Allocated to various departments	(111,825)	(268,322)	(380,147)
	-	-	-
Information Technology			
Wages	37,002	114,066	151,068
Benefits allocation	31,794	98,013	129,807
Maintenance and supplies	8,705	26,832	35,537
Other	263	810	1,073
Allocated to various departments	(77,764)	(239,721)	(317,485)
	-	-	-
Laboratory			
Wages	-	287,710	287,710
Benefits allocation	-	247,218	247,218
Utilities	-	1,172	1,172
Maintenance and supplies	-	18,797	18,797
Contractual services	-	11,269	11,269
Depreciation	-	7,776	7,776
Other	-	1,784	1,784
Allocated to wastewater treatment	-	(575,726)	(575,726)
	-	-	-
Accounting			
Wages	105,619	105,619	211,238
Benefits allocation	90,754	90,755	181,509
Utilities	585	585	1,170
Office supplies	3,551	3,551	7,102
Audit and accounting services	28,184	28,183	56,367
Depreciation	1,087	1,087	2,174
Other	20,721	20,719	41,440
Information technology allocation	4,143	4,143	8,286
Allocated to general and administrative	(254,644)	(254,642)	(509,286)
	-	-	-
Total operating expenses	\$ 13,717,834	\$ 24,317,322	\$ 38,035,156

concluded.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Water distribution				
Wages	\$ 384,548	\$ 384,548	\$ 400,094	\$ 15,546
Benefits allocation	476,907	375,327	343,785	(31,542)
Purchased water	7,434,276	7,434,276	7,744,443	310,167
Utilities	206,213	206,213	222,159	15,946
Maintenance and supplies	21,125	21,425	37,186	15,761
Engineering	1,000	1,000	-	(1,000)
Depreciation	17,504	17,504	15,545	(1,959)
Other	48,850	48,850	41,103	(7,747)
Fleet allocation	594	594	4,698	4,104
Engineering allocation	-	85,895	8,965	(76,930)
Information technology allocation	-	15,685	16,573	888
Maintenance allocation	88,973	88,973	201,455	112,482
	<u>8,679,990</u>	<u>8,680,290</u>	<u>9,036,006</u>	<u>355,716</u>
Wastewater treatment				
Wages	1,456,187	1,456,187	1,428,215	(27,972)
Benefits allocation	2,245,273	1,421,269	1,227,208	(194,061)
Utilities	2,836,197	2,836,197	2,291,113	(545,084)
Sludge removal	265,000	265,000	50,985	(214,015)
Maintenance	570,750	570,750	787,477	216,727
Engineering	34,000	34,000	31,584	(2,416)
Laboratory	21,775	21,775	14,322	(7,453)
Chemicals	515,000	515,000	456,913	(58,087)
Depreciation	6,725,388	6,725,388	6,935,487	210,099
Other	151,700	151,700	110,102	(41,598)
Fleet allocation	460,318	460,318	281,116	(179,202)
Engineering allocation	-	85,895	55,691	(30,204)
Information technology allocation	-	106,660	85,562	(21,098)
Maintenance allocation	2,446,121	2,446,121	1,918,048	(528,073)
Laboratory allocation	631,450	631,450	575,726	(55,724)
	<u>18,359,159</u>	<u>17,727,710</u>	<u>16,249,549</u>	<u>(1,478,161)</u>
Wastewater pump stations				
Wages	219,550	219,550	388,541	168,991
Benefits allocation	300,180	214,285	333,858	119,573
Utilities	580,724	580,724	553,327	(27,397)
Maintenance and supplies	130,100	130,100	136,570	6,470
Engineering	500	500	548	48
Depreciation	11,496	11,496	9,682	(1,814)
Other	38,500	38,500	181,932	143,432
Engineering allocation	-	85,895	15,776	(70,119)
	<u>1,281,050</u>	<u>1,281,050</u>	<u>1,620,234</u>	<u>339,184</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Industrial surveillance				
Wages	\$ 188,013	\$ 188,013	\$ 192,747	\$ 4,734
Benefits allocation	199,190	183,505	165,620	(17,885)
Depreciation	-	-	-	-
Other	21,861	21,861	10,300	(11,561)
Fleet allocation	27,160	27,160	8,411	(18,749)
Information technology allocation	-	15,685	16,573	888
	<u>436,224</u>	<u>436,224</u>	<u>393,651</u>	<u>(42,573)</u>
Transmission and distribution				
Wages	1,537,761	1,537,761	1,420,800	(116,961)
Benefits allocation	1,624,426	1,500,886	1,220,834	(280,052)
Utilities	59,127	59,127	54,741	(4,386)
Sewer overflow settlements	80,000	80,000	9,417	(70,583)
Maintenance:				
Shop and office	26,150	26,150	24,542	(1,608)
Water and sewer mains	210,200	210,200	146,561	(63,639)
Engineering	1,000	1,000	-	(1,000)
Depreciation	3,054,308	3,054,308	3,191,181	136,873
Other	235,900	235,900	271,791	35,891
Fleet allocation	289,103	289,103	432,283	143,180
Engineering allocation	-	85,895	191,138	105,243
Information technology allocation	-	37,645	60,735	23,090
Maintenance allocation	39,947	39,947	47,710	7,763
	<u>7,157,922</u>	<u>7,157,922</u>	<u>7,071,733</u>	<u>(86,189)</u>
Meter service				
Wages	557,126	557,126	565,136	8,010
Benefits allocation	543,766	543,766	485,598	(58,168)
Utilities	4,992	4,992	2,611	(2,381)
Maintenance and supplies	4,075	4,075	8,671	4,596
Meter parts	43,500	43,500	40,659	(2,841)
Depreciation	141,955	141,955	127,538	(14,417)
Other	3,600	3,600	7,732	4,132
Fleet allocation	25,192	25,192	26,141	949
Information technology allocation	-	-	16,573	16,573
	<u>1,324,206</u>	<u>1,324,206</u>	<u>1,280,659</u>	<u>(43,547)</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Customer accounting/collections				
Wages	\$ 290,887	\$ 290,887	\$ 238,134	\$ (52,753)
Benefits allocation	318,420	283,912	204,619	(79,293)
Utilities	1,025	1,025	17,007	15,982
Maintenance and supplies	41,765	41,765	39,821	(1,944)
Postage	69,000	69,000	51,249	(17,751)
Depreciation	10,815	10,815	9,434	(1,381)
Other	2,086	2,086	1,182	(904)
Information technology allocation	-	34,508	33,114	(1,394)
	<u>733,998</u>	<u>733,998</u>	<u>594,560</u>	<u>(139,438)</u>
General and administrative				
Wages	273,073	273,073	184,797	(88,276)
Benefits allocation	1,474,120	266,525	158,788	(107,737)
Utilities	650	650	4,381	3,731
Maintenance and supplies	3,600	3,600	4,153	553
Engineering	-	-	1,936	1,936
Building and liability insurance	177,500	177,500	169,120	(8,380)
Legal and settlements	120,000	120,000	35,559	(84,441)
Other professional services	1,500	1,500	15,555	14,055
Depreciation	19,716	19,716	17,461	(2,255)
Other	55,644	55,644	14,659	(40,985)
Bad debt expense	-	-	59,239	59,239
Fleet allocation	23,679	23,679	5,076	(18,603)
Engineering allocation	-	-	108,570	108,570
Information technology allocation	-	34,508	16,573	(17,935)
Maintenance allocation	18,936	18,936	1,301	(17,635)
Human resource allocation	624,043	624,043	482,310	(141,733)
Accounting allocation	549,044	549,044	509,286	(39,758)
	<u>3,341,505</u>	<u>2,168,418</u>	<u>1,788,764</u>	<u>(379,654)</u>
Fleet				
Wages	180,149	180,149	179,356	(793)
Benefits allocation	175,830	175,830	154,114	(21,716)
Radio maintenance	3,600	3,600	-	(3,600)
Maintenance parts and supplies	97,650	97,650	82,187	(15,463)
Gas, oil and grease	200,000	200,000	155,013	(44,987)
Insurance	34,874	34,874	41,542	6,668
Depreciation	158,061	158,061	138,768	(19,293)
Other	4,140	4,140	6,745	2,605
Allocated to various departments	(854,304)	(854,304)	(757,725)	96,579
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Human resources				
Wages	\$ 258,934	\$ 258,934	\$ 217,614	\$ (41,320)
Benefits allocation	287,233	252,725	186,987	(65,738)
Utilities	650	650	2,174	1,524
Safety program	3,500	3,500	2,612	(888)
Training and education	6,000	6,000	2,233	(3,767)
Legal and professional	20,000	20,000	15,205	(4,795)
Physicals	8,000	8,000	7,890	(110)
Office supplies	3,150	3,150	1,144	(2,006)
Depreciation	13,620	13,620	11,262	(2,358)
Other	22,956	22,956	21,378	(1,578)
Information technology allocation	-	34,508	13,811	(20,697)
Allocated to general and administrative	(624,043)	(624,043)	(482,310)	141,733
	-	-	-	-
Benefits and payroll taxes				
Health insurance	5,324,117	5,324,117	4,347,949	(976,168)
Life insurance	16,365	16,365	12,448	(3,917)
Disability insurance	61,814	61,814	46,875	(14,939)
Social security	573,967	573,967	554,716	(19,251)
Workers compensation	83,000	83,000	37,314	(45,686)
Pension contribution	1,149,254	1,149,254	1,122,916	(26,338)
Unemployment	29,459	29,459	29,459	-
Uniforms	13,270	13,270	12,187	(1,083)
Allocated to various departments	(7,251,246)	(7,251,246)	(6,163,864)	1,087,382
	-	-	-	-
Maintenance				
Wages	1,287,315	1,287,315	1,105,728	(181,587)
Benefits allocation	1,256,445	1,256,445	950,108	(306,337)
Utilities	4,294	4,294	4,015	(279)
Office and supplies	34,324	34,324	49,321	14,997
Other professional services	-	-	150	150
Depreciation	4,100	4,100	3,453	(647)
Other	7,500	7,500	6,052	(1,448)
Information technology allocation	-	-	49,687	49,687
Allocated to various departments	(2,593,978)	(2,593,978)	(2,168,514)	425,464
	-	-	-	-

continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2012

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
Engineering				
Wages	\$ 162,548	\$ 162,548	\$ 202,280	\$ 39,732
Benefits allocation	158,651	158,651	173,811	15,160
Maintenance and supplies	2,025	2,025	2,075	50
Engineering	1,500	1,500	320	(1,180)
Other professional services	-	-	250	250
Other	1,499	1,499	1,411	(88)
Allocated to various departments	(326,223)	(326,223)	(380,147)	(53,924)
	-	-	-	-
Information Technology				
Wages	129,896	129,896	151,068	21,172
Benefits allocation	126,782	126,782	129,807	3,025
Maintenance and supplies	43,425	43,425	35,537	(7,888)
Other	1,881	1,881	1,073	(808)
Allocated to various departments	(301,984)	(301,984)	(317,485)	(15,501)
	-	-	-	-
Laboratory				
Wages	302,336	302,336	287,710	(14,626)
Benefits allocation	295,086	295,086	247,218	(47,868)
Utilities	818	818	1,172	354
Maintenance and supplies	18,200	18,200	18,797	597
Contractual services	3,750	3,750	11,269	7,519
Depreciation	8,729	8,729	7,776	(953)
Other	2,531	2,531	1,784	(747)
Allocated to wastewater treatment	(631,450)	(631,450)	(575,726)	55,724
	-	-	-	-
Accounting				
Wages	201,074	201,074	211,238	10,164
Benefits allocation	230,760	196,252	181,509	(14,743)
Utilities	614	614	1,170	556
Office supplies	6,865	6,865	7,102	237
Audit and accounting services	58,900	58,900	56,367	(2,533)
Depreciation	2,581	2,581	2,174	(407)
Other	48,250	48,250	41,440	(6,810)
Information technology allocation	-	34,508	8,286	(26,222)
Allocated to general and administrative	(549,044)	(549,044)	(509,286)	39,758
	-	-	-	-
Total operating expenses	\$ 41,314,054	\$ 39,509,818	\$ 38,035,156	\$ (1,474,662)

concluded.

STATISTICAL SECTION

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - Unaudited

Last Ten Fiscal Years Ended August 31

	2012	2011	2010	2009
Operating revenue				
Water sales	\$ 14,548,680	\$ 13,148,378	\$ 11,896,822	\$ 11,829,728
Sewage disposal sales	14,479,442	14,805,649	13,438,220	15,683,034
Surcharges and other usage fees	3,890,623	3,757,175	3,824,805	3,915,930
Other operating revenue	1,598,545	1,635,819	1,686,828	1,863,459
Sales discounts	(1) -	-	-	-
Total operating revenue	34,517,290	33,347,021	30,846,675	33,292,151
Operating expenses				
Water distribution	9,036,006	7,792,536	7,081,762	6,680,598
Wastewater treatment	16,249,549	16,017,852	16,080,897	16,928,838
Wastewater pump stations	1,620,234	1,027,107	1,098,445	1,106,431
Industrial surveillance	393,651	368,906	378,400	516,865
Transmission and distribution	7,071,733	6,706,413	6,502,734	6,814,592
Meter service	1,280,659	1,229,452	1,038,294	1,281,173
Customer accounting and collections	594,560	641,919	757,180	842,231
General and administration	1,788,764	2,511,663	2,800,453	2,917,627
Total operating expenses	38,035,156	36,295,848	35,738,165	37,088,355
Operating income (loss)	(3,517,866)	(2,948,827)	(4,891,490)	(3,796,204)
Nonoperating income (expense)				
Investment earnings	212,126	237,628	265,257	462,878
Connection fees	35,250	2,304	3,751	593,613
Debt service contributions	-	-	-	-
Interest and amortization expense	(2,757,137)	(2,769,043)	(2,693,219)	(2,712,540)
Gain (loss) on disposal of capital assets	1,694	31,117	(348,062)	3,602
Total nonoperating income (expense)	(2,508,067)	(2,497,994)	(2,772,273)	(1,652,447)
Income (loss) before contributions and special item	\$ (6,025,933)	\$ (5,446,821)	\$ (7,663,763)	\$ (5,448,651)

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

Table 1

2008	2007	2006	2005	2004	2003
\$ 12,338,209	\$ 12,680,932	\$ 11,542,307	\$ 11,649,244	\$ 9,763,879	\$ 8,616,377
16,422,599	16,480,689	13,621,058	13,701,463	14,274,813	13,235,087
4,070,849	4,195,911	4,422,394	4,460,475	3,649,946	2,503,637
1,562,404	2,500,151	2,217,203	2,159,409	2,408,713	2,248,813
-	-	-	-	(80,105)	(705,985)
<u>34,394,061</u>	<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>
7,527,032	7,486,176	7,085,751	6,930,845	5,873,120	5,282,942
17,771,780	16,977,585	13,052,424	10,226,090	10,062,008	10,882,313
1,145,548	1,054,513	883,122	834,416	771,991	805,890
336,782	335,299	335,131	375,466	174,773	146,967
6,627,636	6,630,235	6,105,316	5,766,919	4,938,907	5,049,571
1,436,719	1,518,009	1,513,485	1,419,979	1,147,385	1,121,564
872,717	837,640	791,665	720,370	680,264	651,361
2,467,995	2,424,113	2,438,567	2,125,010	1,912,661	1,832,080
<u>38,186,209</u>	<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>
(3,792,148)	(1,405,887)	(402,499)	3,571,496	4,456,137	125,241
998,650	1,595,219	958,973	651,753	1,181,681	21,493
155,860	265,589	909,761	975,348	2,145,105	1,066,491
-	63,007	146,476	1,004,525	206,509	211,511
(2,783,337)	(2,747,453)	(1,109,703)	(951,745)	(1,220,577)	(1,023,113)
32,337	19,852	-	(75,287)	(1,969,458)	(2,833)
<u>(1,596,490)</u>	<u>(803,786)</u>	<u>905,507</u>	<u>1,604,594</u>	<u>343,260</u>	<u>273,549</u>
<u>\$ (5,388,638)</u>	<u>\$ (2,209,673)</u>	<u>\$ 503,008</u>	<u>\$ 5,176,090</u>	<u>\$ 4,799,397</u>	<u>\$ 398,790</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - City Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2012	2011	2010	2009
Operating revenue				
Water sales	\$ 2,350,010	\$ 2,117,075	\$ 1,959,836	\$ 1,903,714
Sewage disposal sales	2,976,710	3,210,681	2,908,831	3,353,761
Surcharges and other usage fees	3,007,247	2,905,733	2,990,356	3,043,380
Other operating revenue	397,267	410,163	392,322	384,288
Sales discounts	(1) -	-	-	-
Total operating revenue	<u>8,731,234</u>	<u>8,643,652</u>	<u>8,251,345</u>	<u>8,685,143</u>
Operating expenses				
Water distribution	1,495,435	1,220,447	1,104,248	1,039,709
Wastewater treatment	3,622,023	3,757,790	3,772,580	3,968,120
Wastewater pump stations	308,345	199,909	261,659	236,208
Industrial surveillance	87,743	86,546	88,772	121,153
Transmission and distribution	1,927,194	1,812,792	1,741,448	2,227,406
Meter service	296,564	284,591	239,901	293,137
Customer accounting and collections	137,699	148,668	175,060	192,787
General and administration	391,822	585,766	658,522	693,653
Total operating expenses	<u>8,266,825</u>	<u>8,096,509</u>	<u>8,042,190</u>	<u>8,772,173</u>
Operating income (loss)	<u>464,409</u>	<u>547,143</u>	<u>209,155</u>	<u>(87,030)</u>
Nonoperating income (expense)				
Investment earnings	72,503	77,554	98,523	160,812
Connection fees	9,354	-	3,751	17,224
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,226,770)	(1,263,478)	(1,311,768)	(1,347,719)
Gain (loss) on disposal of capital assets	-	8,744	(97,805)	-
Total nonoperating income (expense)	<u>(1,144,913)</u>	<u>(1,177,180)</u>	<u>(1,307,299)</u>	<u>(1,169,683)</u>
Income (loss) before contributions and special item	<u>\$ (680,504)</u>	<u>\$ (630,037)</u>	<u>\$ (1,098,144)</u>	<u>\$ (1,256,713)</u>

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

Table 2

2008	2007	2006	2005	2004	2003
\$ 1,930,661	\$ 1,874,679	\$ 1,514,474	\$ 1,813,223	\$ 1,898,864	\$ 1,875,979
3,505,232	3,311,569	2,983,581	2,899,389	3,057,411	3,155,582
3,155,294	3,154,752	3,249,101	3,341,073	2,609,737	1,777,612
415,965	998,639	484,405	475,132	433,067	380,495
-	-	-	-	2,336	(126,303)
<u>9,007,152</u>	<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>
1,117,918	1,047,563	1,035,327	985,830	939,023	926,213
4,185,210	4,199,045	3,016,898	2,280,419	2,253,203	2,510,603
251,459	232,488	170,871	174,512	167,913	160,684
78,639	82,920	77,884	83,730	38,824	33,173
1,863,539	1,811,269	1,245,754	1,174,276	1,104,675	1,416,512
336,541	361,620	362,019	334,123	284,106	284,344
204,304	199,025	189,367	169,503	169,654	167,210
583,954	591,252	554,375	460,812	402,537	440,901
<u>8,621,564</u>	<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>385,588</u>	<u>814,457</u>	<u>1,579,066</u>	<u>2,865,612</u>	<u>2,641,480</u>	<u>1,123,725</u>
341,508	704,584	347,237	219,724	285,942	(12,884)
2,122	10,455	61,780	102,504	26,102	11,406
-	63,007	146,476	149,273	169,161	211,511
(1,387,097)	(1,238,663)	(711,028)	(405,501)	(610,808)	(496,504)
-	-	-	-	(550,816)	(1,416)
<u>(1,043,467)</u>	<u>(460,617)</u>	<u>(155,535)</u>	<u>66,000</u>	<u>(680,419)</u>	<u>(287,887)</u>
<u>\$ (657,879)</u>	<u>\$ 353,840</u>	<u>\$ 1,423,531</u>	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</u>	<u>\$ 835,838</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Revenues and Expenses - Township Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2012	2011	2010	2009
Operating revenue				
Water sales	\$ 12,198,670	\$ 11,031,303	\$ 9,936,986	\$ 9,926,014
Sewage disposal sales	11,502,732	11,594,968	10,529,389	12,329,273
Surcharges and other usage fees	883,376	851,442	834,449	872,550
Other operating revenue	1,201,278	1,225,656	1,294,506	1,479,171
Sales discounts	(1) -	-	-	-
Total operating revenue	25,786,056	24,703,369	22,595,330	24,607,008
Operating expenses				
Water distribution	7,540,571	6,572,089	5,977,514	5,640,889
Wastewater treatment	12,627,526	12,260,062	12,308,317	12,960,718
Wastewater pump stations	1,311,889	827,198	836,786	870,223
Industrial surveillance	305,908	282,360	289,628	395,712
Transmission and distribution	5,144,539	4,893,621	4,761,286	4,587,186
Meter service	984,095	944,861	798,393	988,036
Customer accounting and collections	456,861	493,251	582,120	649,444
General and administration	1,396,942	1,925,897	2,141,931	2,223,974
Total operating expenses	29,768,331	28,199,339	27,695,975	28,316,182
Operating income (loss)	(3,982,275)	(3,495,970)	(5,100,645)	(3,709,174)
Nonoperating income (expense)				
Investment earnings	139,623	160,074	166,734	302,066
Connection fees	25,896	2,304	-	576,389
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,530,367)	(1,505,565)	(1,381,451)	(1,364,821)
Gain (loss) on disposal of capital assets	1,694	22,373	(250,257)	3,602
Total nonoperating income (expense)	(1,363,154)	(1,320,814)	(1,464,974)	(482,764)
Income (loss) before contributions and special item	\$ (5,345,429)	\$ (4,816,784)	\$ (6,565,619)	\$ (4,191,938)

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

Table 3

2008	2007	2006	2005	2004	2003
\$ 10,407,548	\$ 10,806,253	\$ 10,027,833	\$ 9,836,021	\$ 7,865,015	\$ 6,740,398
12,917,367	13,169,120	10,637,477	10,802,074	11,217,402	10,079,505
915,555	1,041,159	1,173,293	1,119,402	1,040,209	726,025
1,146,439	1,501,512	1,732,798	1,684,277	1,975,646	1,868,318
-	-	-	-	(82,441)	(579,682)
<u>25,386,909</u>	<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>
6,409,114	6,438,613	6,050,424	5,945,015	4,929,893	4,356,729
13,586,570	12,778,540	10,035,526	7,945,671	7,825,218	8,371,710
894,089	822,025	712,251	659,904	604,078	645,206
258,143	252,379	257,247	291,736	135,949	113,794
4,764,097	4,818,966	4,859,562	4,592,643	3,826,206	3,633,059
1,100,178	1,156,389	1,151,466	1,085,856	863,279	837,220
668,413	638,615	602,298	550,867	510,610	484,151
1,884,041	1,832,861	1,884,192	1,664,198	1,505,941	1,391,179
<u>29,564,645</u>	<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>(4,177,736)</u>	<u>(2,220,344)</u>	<u>(1,981,565)</u>	<u>705,884</u>	<u>1,814,657</u>	<u>(998,484)</u>
657,142	890,635	611,736	432,029	895,739	34,377
153,738	255,134	847,981	872,844	2,119,003	1,055,085
-	-	-	855,252	37,348	-
(1,396,240)	(1,508,790)	(398,675)	(546,244)	(609,769)	(526,609)
32,337	19,852	-	(75,287)	(1,418,642)	(1,417)
<u>(553,023)</u>	<u>(343,169)</u>	<u>1,061,042</u>	<u>1,538,594</u>	<u>1,023,679</u>	<u>561,436</u>
<u>\$ (4,730,759)</u>	<u>\$ (2,563,513)</u>	<u>\$ (920,523)</u>	<u>\$ 2,244,478</u>	<u>\$ 2,838,336</u>	<u>\$ (437,048)</u>

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
2012	\$ 34,764,666	\$ 27,565,394	\$ 7,199,272	\$ 4,509,206	1.60
2011	33,586,953	26,167,215	7,419,738	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
2001	26,079,700	19,245,962	6,833,738	4,187,246	1.63
2000	23,556,269	18,723,057	4,833,212	3,217,769	1.50
1999	21,737,356	17,274,420	4,462,936	2,803,390	1.59

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

(2) Excludes depreciation expense.

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