

Ypsilanti  
Community  
Utilities  
Authority



Years Ended  
August 31, 2013  
and 2012

Comprehensive  
Annual Financial  
Report

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# YPSILANTI COMMUNITY UTILITIES AUTHORITY

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## INTRODUCTORY SECTION

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February 20, 2014

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, 2013.

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, 2013 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 unmodified opinion that YCUA’s financial statements for the fiscal year ended August 31, 2013 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 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 67% funded as of December 31, 2012 (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, 2013, there were 69 retired employees receiving these benefits. In September 2005, YCUA entered into an agreement with MERS to create a retiree healthcare trust plan.

Further information regarding the Authority's retirement and other postemployment benefits plans can be found in Notes 11 and 12 in the notes to the financial statements.

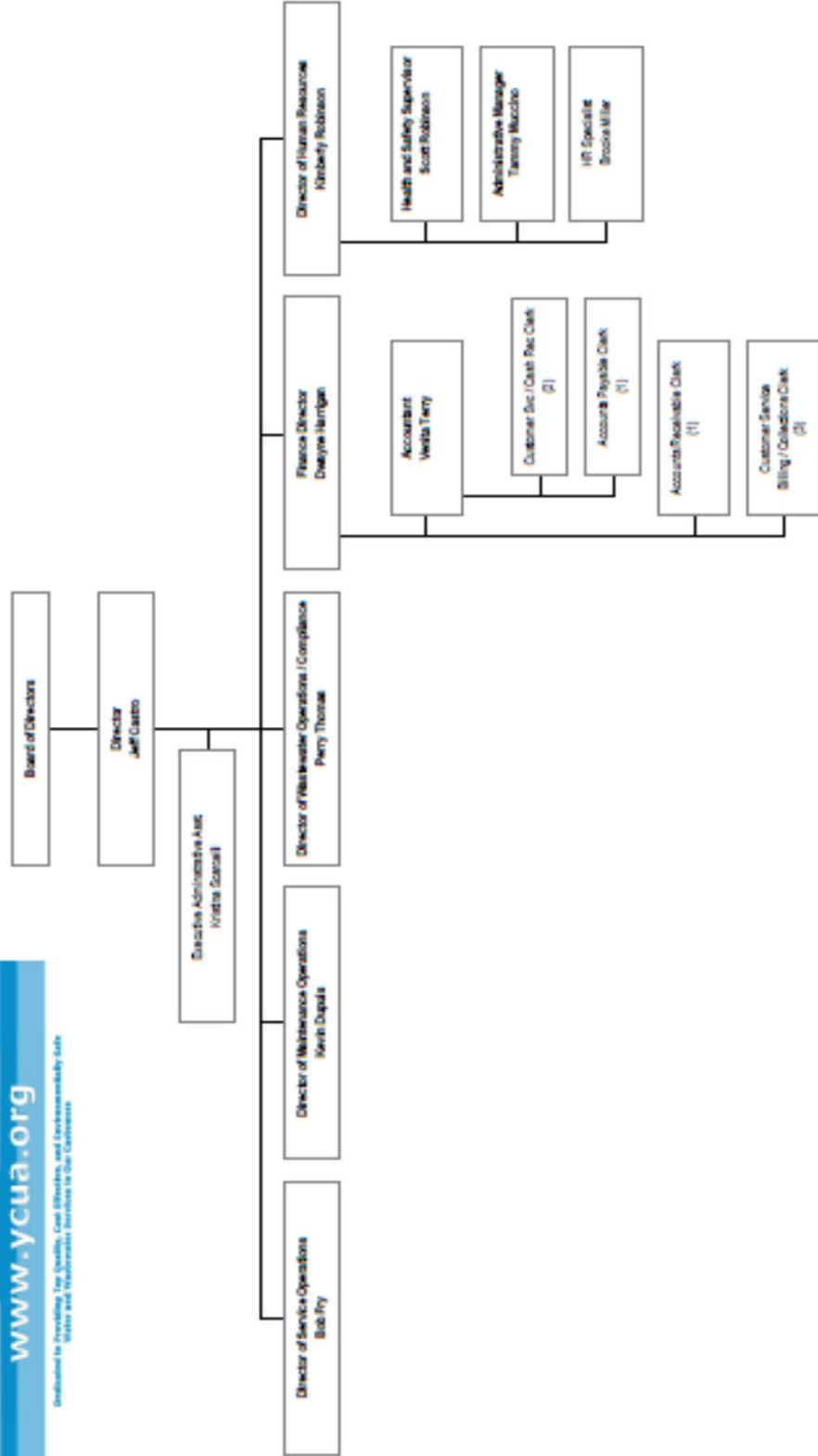
#### Acknowledgements

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, 2013

# Upper Management and Other Key Accounting Personnel



## FINANCIAL SECTION

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## INDEPENDENT AUDITORS' REPORT

February 20, 2014

To the Board of Commissioners of the  
Ypsilanti Community Utilities Authority  
Ypsilanti, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of the *Ypsilanti Community Utilities Authority*, as of and for the years ended August 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2013 and 2012, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and postemployment benefit information, 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.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *Ypsilanti Community Utilities Authority's* basic financial statements. The supplementary information and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated February 20, 2014 on our consideration of *Ypsilanti Community Utilities Authority's* internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering *Ypsilanti Community Utilities Authority's* internal control over financial reporting and compliance.

*Rehmann Lobson LLC*

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## 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, 2013, 2012 and 2011. 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 \$174,737,589 (net position). Of this amount, \$5,709,043 (unrestricted net position) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net position decreased by \$6,920,290 for fiscal 2013 and by \$5,894,154 for fiscal 2012.
- The Authority's total long-term debt increased by a net of \$4,837,153 for fiscal 2013 and decreased by \$1,133,370 for fiscal 2012; 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 position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position* presents information showing how the Authority's net position changed during the two most recent fiscal years. All changes in net position 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 position may serve over time as a useful indicator of a government's financial position. In the case of YCUA, assets exceeded liabilities by \$174,737,589 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (89.2 percent) is its net 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 net 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 position (7.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position 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 position. The same situation held true for the prior two fiscal years.

	YCUA's Net Position		
	2013	2012	2011
Current and other assets	\$ 13,606,034	\$ 17,302,438	\$ 15,668,228
Restricted assets	13,189,154	13,215,207	13,586,191
Capital assets	229,214,403	227,659,010	232,312,848
Total assets	256,009,591	258,176,655	261,567,267
Long-term liabilities outstanding	75,483,637	70,154,798	69,055,838
Other liabilities	5,788,365	6,363,978	4,959,396
Total liabilities	81,272,002	76,518,776	74,015,234
<b>Net position</b>			
Net investment in capital assets	155,839,392	159,728,150	165,657,954
Restricted	13,189,154	13,215,207	13,586,191
Unrestricted	5,709,043	8,714,522	8,307,888
<b>Total net position</b>	<b>\$ 174,737,589</b>	<b>\$ 181,657,879</b>	<b>\$ 187,552,033</b>

The Authority's net position decreased by \$6,920,290 for fiscal 2013 and \$5,894,154 for fiscal 2012. Key elements of the 2013 changes include:

- Capital contributions to the Authority were \$55,936 (\$75,843 less than last year).
- Water sales decreased by \$.6 million (or 4.5%). 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 \$0.4 million (or 4.7%).
- Sewage disposal sales decreased by \$.2 million (or 1.1%). Direct costs for treatment decreased \$0.1 million (or .61%). Total wastewater billed by the City and Township was down 4.1%.
- Total operating expenses increased by \$.2 million (or .46%) primarily reflecting the increase for purchasing water from the City of Detroit.
- The city division increased sewer rates by 3.0% and water rates increased by 5.0%; the surcharge remained at 68.0%. These rates all became effective November 1, 2012.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- The township division sewer rates increased by 3.0% and water rates increased 5.0%. The water rate increase became effective October 1, 2012. The surcharge rate remained unchanged at 5.0%.

	YCUA's Change in Net Position		
	2013	2012	2011
Operating revenues	\$ 33,786,402	\$ 34,517,290	\$ 33,347,021
Expenses:			
Water distribution	14,342,984	13,717,834	12,902,066
Wastewater treatment	23,869,652	24,317,322	23,393,782
Total expenses	38,212,636	38,035,156	36,295,848
Operating loss	(4,426,234)	(3,517,866)	(2,948,827)
Nonoperating expenses	(2,401,764)	(2,508,067)	(2,471,784)
Loss before contributions	(6,827,998)	(6,025,933)	(5,420,611)
Contributions			
Capital contributions	55,936	131,779	323,317
Prior year capital contributions converted to debt	(148,228)	-	-
Change in net position	(6,920,290)	(5,894,154)	(5,097,294)
Net position - beginning, as restated	181,657,879	187,552,033	192,649,327
Net position - end of year	\$ 174,737,589	\$ 181,657,879	\$ 187,552,033

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.
- 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%.

# 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, 2013 amounted to \$229.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants, transmission lines, vehicles and other equipment. Total net capital assets increased by \$1.6 million or .68 percent. The net increase is primarily attributable to new construction projects.

	YCUA's Capital Assets		
	2013	2012	2011
Land	\$ 1,298,704	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	968,320	1,027,335	1,042,324
Wastewater treatment plant	101,338,649	105,596,226	111,883,238
Water and wastewater systems	117,443,325	108,710,578	109,720,504
Vehicles	738,475	833,392	953,795
Equipment	477,170	585,643	747,613
Construction in process	6,949,760	9,607,132	6,666,670
<b>Total</b>	<b>\$ 229,214,403</b>	<b>\$ 227,659,010</b>	<b>\$ 232,312,848</b>

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

Long-term debt. At year-end, the Authority had \$74,796,680 of long-term debt including limited tax obligation bonds, revenue bond and other obligations as summarized below.

	YCUA's Outstanding Debt		
	2013	2012	2011
Limited tax obligation bonds	\$ 47,930,224	\$ 40,863,071	\$ 38,029,701
Revenue bonds	25,825,000	28,055,000	29,755,000
Environmental liability	1,041,456	1,041,456	1,041,456
<b>Total</b>	<b>\$ 74,796,680</b>	<b>\$ 69,959,527</b>	<b>\$ 68,826,157</b>

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 2014. 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 year 2013. Inflation in the local labor markets will remain moderate, whereas inflation in the utility and health care costs will be significant. The Authority has increased its operating costs in response to 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 2014 is approximately \$39.8 million; key provisions include:

- An increase of 2.67% in budgeted operating revenue, attributable to an increase in water rates along with a conservative consumption forecast due to little or no growth in our residential and manufacturing customers.
- A net increase of 1.0% in operating expenses with a general decrease in operating costs to offset the increase in the cost of water purchased from the City of Detroit.

The capital budget for fiscal 2014 totals approximately \$3.8 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 2014, about 2.0 miles of water main replacement are scheduled for replacement.
- The city division increased sewer rates by 4.5% and increased water rates by 5.0%; the surcharge decreased to 66.0%. These rates all became effective November 1, 2013.
- The township division increased sewer rates by 4.5% and water rates increased by 5.0%. The rate increase became effective 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 Position

	August 31,	
	2013	2012
<b>Assets</b>		
Current assets:		
Cash and investments	\$ 6,694,067	\$ 9,673,074
Receivables, net	5,170,802	6,123,153
Inventories	1,069,510	1,143,691
Prepaid items	379,129	118,202
Total current assets	<u>13,313,508</u>	<u>17,058,120</u>
Noncurrent assets:		
Restricted assets:		
Cash and investments	10,547,445	10,396,426
Bond reserve funds held by City of Ypsilanti	2,641,709	2,818,781
Receivables, long-term portion	292,526	244,318
Capital assets not being depreciated	8,248,464	10,905,836
Capital assets being depreciated, net	220,965,939	216,753,174
Total noncurrent assets	<u>242,696,083</u>	<u>241,118,535</u>
<b>Total assets</b>	<u>256,009,591</u>	<u>258,176,655</u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	2,480,027	3,538,756
Retentions, deposits and other liabilities	2,767,556	2,199,221
Accrued interest payable	540,782	626,001
Current maturities of long-term liabilities	3,588,723	3,043,240
Current maturities of accrued compensated absences	533,585	591,241
Total current liabilities	<u>9,910,673</u>	<u>9,998,459</u>
Long-term liabilities:		
Bonds payable	70,236,288	65,337,620
Environmental liability	591,456	591,456
Accrued compensated absences	533,585	591,241
Total long-term liabilities	<u>71,361,329</u>	<u>66,520,317</u>
<b>Total liabilities</b>	<u>81,272,002</u>	<u>76,518,776</u>
<b>Net position</b>		
Net investment in capital assets	155,839,392	159,728,150
Restricted for special purposes	13,189,154	13,215,207
Unrestricted	5,709,043	8,714,522
<b>Total net position</b>	<u>\$ 174,737,589</u>	<u>\$ 181,657,879</u>

The accompanying notes are an integral part of these financial statement:



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Position

	For the Year Ended August 31,	
	2013	2012
Operating revenues		
Water sales	\$ 13,917,141	\$ 14,548,680
Sewage disposal sales	14,325,974	14,479,442
Surcharges and other usage fees:		
Capital improvement surcharge	3,546,610	3,497,072
Construction reserve	274,627	293,554
Environmental reserve	94,686	99,997
Other operating revenue	1,627,364	1,598,545
Total operating revenues	<u>33,786,402</u>	<u>34,517,290</u>
Operating expenses		
Water distribution	9,483,636	9,036,006
Wastewater treatment	16,150,407	16,249,549
Wastewater pump stations	1,285,808	1,620,234
Industrial surveillance	422,880	393,651
Transmission and distribution	7,290,247	7,071,733
Meter service	1,099,771	1,280,659
Customer accounting and collections	673,930	594,560
General and administration	1,805,957	1,788,764
Total operating expenses	<u>38,212,636</u>	<u>38,035,156</u>
Operating loss	<u>(4,426,234)</u>	<u>(3,517,866)</u>
Nonoperating income (expense)		
Investment earnings	187,826	212,126
Connection fees	68,551	35,250
Interest and amortization expense	(2,671,012)	(2,757,137)
Gain on disposal of capital assets	12,871	1,694
Total nonoperating income (expense)	<u>(2,401,764)</u>	<u>(2,508,067)</u>
Loss before contributions	(6,827,998)	(6,025,933)
Capital contributions	55,936	131,779
Prior year capital contributions converted to debt	<u>(148,228)</u>	<u>-</u>
Change in net position	(6,920,290)	(5,894,154)
Net position, beginning of year, as restated	<u>181,657,879</u>	<u>187,552,033</u>
Net position, end of year	<u>\$ 174,737,589</u>	<u>\$ 181,657,879</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,	
	2013	2012
Cash flows from operating activities		
Receipts from customers and users	\$ 34,738,753	\$ 34,044,735
Payments to suppliers	(16,445,469)	(13,841,022)
Payments to employees and employee benefits	(12,151,403)	(12,408,600)
Net cash provided by operating activities	<u>6,141,881</u>	<u>7,795,113</u>
Cash flows from capital and related financing activities		
Proceeds from issuance of and draws on long-term debt	17,569,165	10,943,776
Proceeds from federal grants for capital assets	55,936	130,159
Proceeds from original issuance premiums on bonds	489,129	-
Bond reserve funds deposited with the City of Ypsilanti	177,072	(3,991)
Acquisition and construction of capital assets	(11,845,738)	(5,814,304)
Proceeds from sale or disposal of capital assets	12,871	1,694
Principal payments on long-term debt	(3,542,574)	(3,363,818)
Payment to refunding bond escrow agent	(9,337,666)	(6,446,588)
Interest payments on long-term debt	(2,804,441)	(2,788,298)
Receipts from connection fees	68,551	35,250
Net cash used in capital and related financing activities	<u>(9,157,695)</u>	<u>(7,306,120)</u>
Cash flows from investing activities		
Earnings received on investments	<u>187,826</u>	<u>212,126</u>
Net change in cash and investments	(2,827,988)	701,119
Cash and investments, beginning of year	<u>20,069,500</u>	<u>19,368,381</u>
Cash and investments, end of year	<u>\$ 17,241,512</u>	<u>\$ 20,069,500</u>
Reconciliation to statements of net position		
Cash and investments	\$ 6,694,067	\$ 9,673,074
Restricted cash and investments	<u>10,547,445</u>	<u>10,396,426</u>
Total cash and investments	<u>\$ 17,241,512</u>	<u>\$ 20,069,500</u>

continued...

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Statements of Cash Flows

	For the Year Ended August 31,	
	2013	2012
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (4,426,234)	\$ (3,517,866)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	10,290,349	10,469,762
Amortization of bond discounts, bond premiums and deferred loss on refunding	117,867	218,691
Changes in current assets and liabilities:		
Receivables	952,351	(472,555)
Inventories	74,181	(106,270)
Prepaid items	(260,927)	(5,501)
Accounts payable	(1,058,729)	1,216,123
Retentions, deposits and other liabilities	568,335	169,735
Accrued compensated absences	(115,312)	(177,006)
Net cash provided by operating activities	<u>\$ 6,141,881</u>	<u>\$ 7,795,113</u>
Noncash items		
Capital contributions from developers	\$ -	\$ 1,620
Prior year federal capital contributions converted to debt	(148,228)	-
	<u>\$ (148,228)</u>	<u>\$ 1,620</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 position 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 2013 or 2012.

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 position. 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.

## 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:

	2013	2012
<b>Statement of Net Position:</b>		
Cash and investments	\$ 6,694,067	\$ 9,673,074
Restricted cash and investments	10,547,445	10,396,426
<b>Total</b>	<b>\$ 17,241,512</b>	<b>\$ 20,069,500</b>
	2013	2012
<b>Deposits and Investments:</b>		
Bank deposits (checking accounts, savings accounts and certificate of deposits)	\$ 5,375,258	\$ 8,019,563
Investments in money market accounts	11,865,404	12,049,087
Cash on hand	850	850
<b>Total</b>	<b>\$ 17,241,512</b>	<b>\$ 20,069,500</b>

*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, 2013, \$6,979,740 of the Authority's total bank balance of \$8,151,206 (total book balance was \$5,375,258) was exposed to custodial credit risk as it was uninsured and uncollateralized. 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.



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

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, 2013 and 2012, 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:

	2013	2012
Accounts, net of \$25,000 allowance	\$ 5,137,651	\$ 5,997,116
Accrued investment interest	9,583	9,583
Special assessments and benefit charges	316,094	360,772
Total receivables	5,463,328	6,367,471
Less long-term portion of benefit charges and special assessments	(292,526)	(244,318)
Current portion of receivables	<u>\$ 5,170,802</u>	<u>\$ 6,123,153</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	2013	2012
Township bond and interest reserve (Ordinance No. 11, section 13, amended by No. 47)	\$ 300,000	\$ 300,000
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	2,286,921	2,221,220
WWTP future construction reserve (WWTP construction agreement, as amended)	1,030,496	1,028,350
City construction reserve surcharge (Ordinance No. 697, section 2.137)	668,799	1,016,606
City debt retirement and capital improvement surcharge (Ordinance No. 696, amended by Ordinance No. 959)	1,183,568	374,927
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	1,478,923	1,570,732
EPA replacement reserve (EPA regulatory requirements)	821,910	1,579,221
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	2,084,668	1,985,987
Construction project bond/capital lease proceeds (Bond ordinances)	692,160	319,383
	<u>\$ 10,547,445</u>	<u>\$ 10,396,426</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

### 6. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	9,607,132	11,362,758	(14,020,130)	6,949,760
Total capital assets not being depreciated	<u>10,905,836</u>	<u>11,362,758</u>	<u>(14,020,130)</u>	<u>8,248,464</u>
Capital assets being depreciated:				
Buildings and improvements	2,216,082	-	-	2,216,082
Wastewater treatment plant	181,833,090	2,339,093	-	184,172,183
Water and wastewater systems	169,085,202	12,094,601	-	181,179,803
Vehicles	3,605,498	31,936	-	3,637,434
Equipment	5,494,552	37,480	-	5,532,032
Total capital assets being depreciated	<u>362,234,424</u>	<u>14,503,110</u>	<u>-</u>	<u>376,737,534</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,188,747)	(59,015)	-	(1,247,762)
Wastewater treatment plant	(76,236,864)	(6,596,670)	-	(82,833,534)
Water and wastewater systems	(60,374,624)	(3,361,854)	-	(63,736,478)
Vehicles	(2,772,106)	(126,853)	-	(2,898,959)
Equipment	(4,908,909)	(145,953)	-	(5,054,862)
Total accumulated depreciation	<u>(145,481,250)</u>	<u>(10,290,345)</u>	<u>-</u>	<u>(155,771,595)</u>
Total capital assets being depreciated, net	<u>216,753,174</u>	<u>4,212,765</u>	<u>-</u>	<u>220,965,939</u>
Total capital assets, net	<u>\$ 227,659,010</u>	<u>\$ 15,575,523</u>	<u>\$ (14,020,130)</u>	<u>\$ 229,214,403</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

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>

The Authority has active construction projects as of August 31, 2013. Projects currently under construction include improvements to the Factory Street wastewater pump station in the City of Ypsilanti, upgrades to the plant effluent water system at the wastewater treatment plant, and water supply system replacement projects in the Charter Township of Ypsilanti: the Smokler-Textile Subdivision, the Huron Dam Subdivision and the Grove Park Subdivision. Construction of improvements to the retention basin header and septage receiving station at the wastewater treatment plant will be getting started in the near future.

# 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, 2013 was \$69,130,448.

During fiscal 2013 and 2012, the cash draws against the Drinking Water Revolving Fund and Clean Water State Revolving Fund bonds amounted to \$5,502,393 and \$2,248,776, respectively, which were the project construction costs incurred during those years. The total amount authorized under these issues was \$28,027,133 of which \$4,261,453 is still available and expected to be drawn through August 31, 2014. In addition, the Authority issued \$4,725,000 of refunding bonds during fiscal 2013 and \$2,370,000 of water bonds during fiscal 2012.

Limited tax general obligation bonds outstanding at August 31, 2013 are as follows:

	Credit	Interest Rates	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
1998 water (DWRf)	Twp	2.50%	\$ 1,122,056	\$ -	\$ (230,000)	\$ 892,056	\$ 240,000
1999 water (DWRf)	City	2.50%	425,000	-	(50,000)	375,000	50,000
2001 sewer	Twp	4.875%	180,000	-	(180,000)	-	-
2002 sewer	Twp	3.25-5.00%	6,390,000	-	(115,000)	6,275,000	310,000
2003 water	Twp	3.00-4.35%	495,000	-	(335,000)	160,000	160,000
2003 water (DWRf)	Twp	2.50%	7,305,000	-	(80,000)	7,225,000	80,000
2006 refunding	Twp	3.75-4.125%	1,365,000	-	(1,275,000)	90,000	90,000
2007 water refunding	Twp	4.00-4.10%	2,062,426	-	(150,000)	1,912,426	155,000
2007 water (DWRf)	City	2.125%	253,702	-	(15,000)	238,702	15,000
2007 water (DWRf)	Twp	2.125%	1,710,075	-	(90,000)	1,620,075	95,000
2008 water (DWRf)	Twp	2.50%	988,213	-	(55,000)	933,213	55,000
2008 water (DWRf)	City	2.50%	379,253	-	(20,000)	359,253	20,000
2009 water (DWRf)	City	2.50%	129,029	-	(5,000)	124,029	5,000
2009 water (DWRf)	Twp	2.50%	270,943	17,623	(17,000)	271,566	17,000
2010 water (SRF)	Shared	2.50%	655,151	-	(25,000)	630,151	30,000
2010 water (SRF)	Twp	2.50%	2,550,717	151,941	(120,000)	2,582,658	125,000
2010 water (SRF)	Twp	2.50%	397,148	-	(20,000)	377,148	20,000
2010 refunding	Twp	1.50-3.125%	1,502,796	-	(153,240)	1,349,556	156,723
2010 water	Twp	4.0-5.0%	1,755,000	-	(50,000)	1,705,000	65,000
2011 water refunding	Twp	2.0-4.0%	6,325,000	-	(40,000)	6,285,000	225,000
2012 water (DWRf)	Shared	2.50%	5,299	1,049,751	-	1,055,050	65,000
2012 water (DWRf)	City	2.50%	18,699	1,495,833	-	1,514,532	115,000
2012 water (DWRf)	Twp	2.50%	2,207,564	956,476	(135,000)	3,029,040	140,000
2012 water	Twp	2.0-4.0%	2,370,000	-	-	2,370,000	-
2012 water (DWRf)	Twp	2.00%	-	1,743,144	-	1,743,144	90,000
2013 water refunding	Twp	0.45-3.25%	-	4,725,000	-	4,725,000	185,000
2013 water (DWRf)	Shared	2.00%	-	87,625	-	87,625	-
			<u>\$40,863,071</u>	<u>\$10,227,393</u>	<u>\$ (3,160,240)</u>	<u>\$47,930,224</u>	<u>\$ 2,508,723</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

Limited tax general 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>

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 2013, the Authority issued \$4,725,000 of limited tax general obligation bonds; of this amount, \$1,220,000 was for 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 \$1,190,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The refunding resulted in a savings of future debt service payments of \$130,430 and an economic gain \$100,666.

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.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

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

Year Ended August 31,	Principal	Interest
2014	\$ 2,508,723	\$ 1,442,510
2015	2,518,205	1,389,837
2016	2,681,947	1,327,637
2017	2,742,485	1,258,068
2018	2,668,912	1,184,030
2019-2023	13,971,340	4,736,078
2024-2028	13,930,814	2,612,942
2029-2033	11,094,251	567,554
2034	75,000	-
	<u>52,191,677</u>	<u>\$14,518,656</u>
Less amount remaining to draw on outstanding projects	<u>(4,261,453)</u>	
	<u>\$ 47,930,224</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, 2013 was \$56,945,000. The Authority issued \$7,490,000 of refunding bonds during fiscal 2013.

Revenue bonds outstanding at August 31, 2013 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%	\$ 870,000	\$ -	\$ (870,000)	\$ -	\$ -
2002A water and sewer	City	4.00-5.00%	1,000,000	-	(1,000,000)	-	-
2002B water (DWRf)	City	2.50%	280,000	-	(25,000)	255,000	25,000
2002C water and sewer	City	4.00-4.75%	3,255,000	-	(3,255,000)	-	-
2003A water and sewer	City	3.00-4.10%	1,015,000	-	(510,000)	505,000	-
2003B water and sewer	City	3.50-4.25%	1,240,000	-	(1,240,000)	-	-
2003C water (DWRf)	City	2.50%	520,000	-	(40,000)	480,000	40,000
2003D water (DWRf)	City	2.50%	3,490,000	-	(255,000)	3,235,000	260,000
2004A water and sewer	City	3.30-4.55%	2,200,000	-	(2,200,000)	-	-
2004B water (DWRf)	City	2.125%	4,415,000	-	(300,000)	4,115,000	305,000
2006 refunding	City	3.75-4.125%	9,770,000	-	(25,000)	9,745,000	-
2013 refunding	City	2.00-4.00%	-	7,490,000	-	7,490,000	-
			<u>\$28,055,000</u>	<u>\$ 7,490,000</u>	<u>\$ (9,720,000)</u>	<u>\$25,825,000</u>	<u>\$ 630,000</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

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>

During fiscal 2013, the Authority issued \$7,490,000 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 \$7,950,000 in bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The refunding resulted in a savings of future debt service payments of \$580,402 and an economic gain \$497,141.

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

Year Ended August 31,	Principal	Interest
2014	\$ 630,000	\$ 336,250
2015	1,710,000	832,278
2016	1,695,000	790,123
2017	1,740,000	742,509
2018	1,785,000	683,438
2019-2023	10,130,000	2,434,339
2024-2028	8,135,000	706,173
	<u>\$25,825,000</u>	<u>\$ 6,525,110</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.



## YPSILANTI COMMUNITY UTILITIES AUTHORITY

### Notes to the Financial Statements

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.

*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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Limited tax obligation bonds	\$40,863,071	\$10,227,393	\$ (3,160,240)	\$47,930,224	\$ 2,508,723
Revenue bonds	28,055,000	7,490,000	(9,720,000)	25,825,000	630,000
Environmental liability	1,041,456	-	-	1,041,456	450,000
Compensated absences	1,182,482	622,857	(738,167)	1,067,172	533,585
	71,142,009	18,340,250	(13,618,407)	75,863,852	4,122,308
Deduct deferred amounts for:					
Issuance discounts	(461,571)	-	19,130	(442,441)	-
Issuance premiums	171,677	489,129	-	660,806	-
Deferred loss on refunding	(730,638)	-	102,439	(628,199)	-
Deferred gain on refunding	33,321	-	(3,702)	29,619	-
	<u>\$70,154,798</u>	<u>\$18,829,379</u>	<u>\$(13,500,540)</u>	<u>\$75,483,637</u>	<u>\$ 4,122,308</u>

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)	-	25,087	(461,571)	-
Issuance premiums	-	171,677	-	171,677	-
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>

# 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:

	2013	2012
Federal government	\$ 55,936	\$ 130,159
Prior year capital contributions converted to debt	(148,228)	-
Private developers	-	1,620
	<u>\$ (92,292)</u>	<u>\$ 131,779</u>

During fiscal 2013, it was determined that one of the Authority's State Revolving Fund projects (that was supported, in part, with federal funds) was not fully expended. As a result, a portion of the amount previously reimbursed as federal grant revenue (reported in contributed capital) was converted in debt under the terms of the revolving loan funded project, as reflected above.

### 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.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to the Financial Statements

The Authority is required to contribute at an actuarially determined rate; the rate for the year ended August 31, 2013 ranged from 12.67% to 27.92% of annual covered payroll for the three various divisions. 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.

For the year ended August 31, 2013, the Authority's annual pension cost of \$1,141,004 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, 2012, 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
2011	\$ 1,095,324	100%	\$ -
2012	1,122,916	100%	-
2013	1,141,004	100%	-

The funded status of the plan as of December 31, 2012, the date of the last latest actuarial valuation, was as follows:

Actuarial accrued liabilities (AAL)	\$ 44,269,173
Actuarial value of plan assets	<u>29,838,589</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 14,430,584</u>
Funded ratio	67.4%
Covered payroll (active plan members)	\$ 6,904,586
UAAL as a percentage of covered payroll	209.0%

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 81 retirees that were eligible and receiving benefits for the year ended August 31, 2013; as the plan is closed to new hires, there are 91 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, 2013, 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 2013, 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	\$ 2,709,587
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	<u>2,709,587</u>
Payments of current costs	<u>(2,709,587)</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	<u>-</u>
Net OPEB obligation, end of year	<u>\$ -</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Notes to 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
8/31/11	\$ 2,598,816	\$ 2,598,816	100%	\$ -
8/31/12	2,724,992	2,724,992	100%	-
8/31/13	2,709,587	2,709,587	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. RESTATEMENT

The Authority adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in the current year. As a result, the beginning net position was decreased by \$1,156,689 to eliminate unamortized bond issuance costs, which no longer meet the definition of an asset and are now required to be recognized as an expense in the period incurred.

### 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, 2013 is presented below.

	Condensed Statement of Net Position		
	City	Township	Totals
<b>Assets</b>			
Current and other assets	\$ 8,528,249	\$ 18,266,939	\$ 26,795,188
Capital assets	67,420,567	161,793,836	229,214,403
<b>Total assets</b>	<b>75,948,816</b>	<b>180,060,775</b>	<b>256,009,591</b>
<b>Liabilities</b>			
Long-term liabilities	29,141,187	46,342,450	75,483,637
Other liabilities	1,013,592	4,774,773	5,788,365
<b>Total liabilities</b>	<b>30,154,779</b>	<b>51,117,223</b>	<b>81,272,002</b>
<b>Net position</b>			
Net investment			
in capital assets	38,410,024	117,429,368	155,839,392
Restricted	4,850,335	8,338,819	13,189,154
Unrestricted	2,533,678	3,175,365	5,709,043
<b>Total net position</b>	<b>\$ 45,794,037</b>	<b>\$ 128,943,552</b>	<b>\$ 174,737,589</b>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to the Financial Statements

	Condensed Statement of Revenues, Expenses and Changes in Net Position						Totals
	City			Township			
	Water	Wastewater	Total	Water	Wastewater	Total	
Operating revenue	\$ 4,022,743	\$ 4,670,261	\$ 8,693,004	\$ 12,169,680	\$ 12,923,718	\$ 25,093,398	\$ 33,786,402
Operating expenses							
Depreciation	827,056	1,679,739	2,506,795	1,273,462	6,510,092	7,783,554	10,290,349
Other operating	2,362,928	3,503,668	5,866,596	9,879,538	12,176,153	22,055,691	27,922,287
	<u>3,189,984</u>	<u>5,183,407</u>	<u>8,373,391</u>	<u>11,153,000</u>	<u>18,686,245</u>	<u>29,839,245</u>	<u>38,212,636</u>
Operating income (loss)	832,759	(513,146)	319,613	1,016,680	(5,762,527)	(4,745,847)	(4,426,234)
Nonoperating expense	(493,065)	(704,589)	(1,197,654)	(806,848)	(397,262)	(1,204,110)	(2,401,764)
Capital contributions, net	-	(20,729)	(20,729)	-	(71,563)	(71,563)	(92,292)
Change in net position	<u>\$ 339,694</u>	<u>\$ (1,238,464)</u>	<u>(898,770)</u>	<u>\$ 209,832</u>	<u>\$ (6,231,352)</u>	<u>(6,021,520)</u>	<u>(6,920,290)</u>
Net position							
Beginning of year			<u>46,692,807</u>			<u>134,965,072</u>	<u>181,657,879</u>
End of year			<u>\$ 45,794,037</u>			<u>\$ 128,943,552</u>	<u>\$ 174,737,589</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%
2012	29,838,589	44,269,173	14,430,584	67.4%	6,904,586	209.0%

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%
2013	1,141,004	1,141,004	100.0%

See Note 11 on page 32 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%
2013	2,709,587	2,709,587	100.0%

See Note 12 on page 34 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 Position

City and Township Allocation

For the Year Ended August 31, 2013

	City	Township	Total
<b>Operating revenues</b>			
Water sales	\$ 2,321,846	\$ 11,595,295	\$ 13,917,141
Sewage disposal sales	2,971,752	11,354,222	14,325,974
Surcharges and other usage fees:			
Capital improvement surcharge	2,943,530	603,080	3,546,610
Construction reserve	74,507	200,120	274,627
Environmental reserve	-	94,686	94,686
Other operating revenue	381,369	1,245,995	1,627,364
<b>Total operating revenues</b>	<b>8,693,004</b>	<b>25,093,398</b>	<b>33,786,402</b>
<b>Operating expenses</b>			
Water distribution	1,735,094	7,748,542	9,483,636
Wastewater treatment	3,627,379	12,523,028	16,150,407
Wastewater pump stations	278,352	1,007,456	1,285,808
Industrial surveillance	94,978	327,902	422,880
Transmission and distribution	1,827,963	5,462,284	7,290,247
Meter service	255,760	844,011	1,099,771
Customer accounting and collections	156,756	517,174	673,930
General and administration	397,109	1,408,848	1,805,957
<b>Total operating expenses</b>	<b>8,373,391</b>	<b>29,839,245</b>	<b>38,212,636</b>
<b>Operating income (loss)</b>	<b>319,613</b>	<b>(4,745,847)</b>	<b>(4,426,234)</b>
<b>Nonoperating income (expense)</b>			
Investment earnings	69,325	118,501	187,826
Connection fees	200	68,351	68,551
Interest and amortization expense	(1,267,179)	(1,403,833)	(2,671,012)
Gain on disposal of capital assets	-	12,871	12,871
<b>Total nonoperating expense</b>	<b>(1,197,654)</b>	<b>(1,204,110)</b>	<b>(2,401,764)</b>
<b>Loss before contributions</b>	<b>(878,041)</b>	<b>(5,949,957)</b>	<b>(6,827,998)</b>
<b>Capital contributions</b>	<b>12,563</b>	<b>43,373</b>	<b>55,936</b>
<b>Prior year capital contributions converted to debt</b>	<b>(33,292)</b>	<b>(114,936)</b>	<b>(148,228)</b>
<b>Change in net position</b>	<b>(898,770)</b>	<b>(6,021,520)</b>	<b>(6,920,290)</b>
<b>Net position, beginning of year, as restated</b>	<b>46,692,807</b>	<b>134,965,072</b>	<b>181,657,879</b>
<b>Net position, end of year</b>	<b>\$ 45,794,037</b>	<b>\$ 128,943,552</b>	<b>\$ 174,737,589</b>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Schedule of Revenues, Expenses and Changes in Net Position

### Water and Wastewater Allocation

For the Year Ended August 31, 2013

	Water	Wastewater	Total
<b>Operating revenues</b>			
Water sales	\$ 13,917,141	\$ -	\$ 13,917,141
Sewage disposal sales	-	14,325,974	14,325,974
Surcharges and other usage fees:			
Capital improvement surcharge	1,987,468	1,559,142	3,546,610
Construction reserve	152,438	122,189	274,627
Environmental reserve	-	94,686	94,686
Other operating revenue	135,376	1,491,988	1,627,364
<b>Total operating revenues</b>	<b>16,192,423</b>	<b>17,593,979</b>	<b>33,786,402</b>
<b>Operating expenses</b>			
Water distribution	9,483,636	-	9,483,636
Wastewater treatment	-	16,150,407	16,150,407
Wastewater pump stations	-	1,285,808	1,285,808
Industrial surveillance	-	422,880	422,880
Transmission and distribution	3,208,614	4,081,633	7,290,247
Meter service	549,885	549,886	1,099,771
Customer accounting and collections	336,964	336,966	673,930
General and administration	763,885	1,042,072	1,805,957
<b>Total operating expenses</b>	<b>14,342,984</b>	<b>23,869,652</b>	<b>38,212,636</b>
<b>Operating income (loss)</b>	<b>1,849,439</b>	<b>(6,275,673)</b>	<b>(4,426,234)</b>
<b>Nonoperating income (expense)</b>			
Investment earnings	106,614	81,212	187,826
Connection fees	34,275	34,276	68,551
Interest and amortization expense	(1,440,802)	(1,230,210)	(2,671,012)
Gain on disposal of capital assets	-	12,871	12,871
<b>Total nonoperating expense</b>	<b>(1,299,913)</b>	<b>(1,101,851)</b>	<b>(2,401,764)</b>
<b>Income (loss) before contributions</b>	<b>549,526</b>	<b>(7,377,524)</b>	<b>(6,827,998)</b>
<b>Capital contributions</b>	<b>-</b>	<b>55,936</b>	<b>55,936</b>
<b>Prior year capital contributions converted to debt</b>	<b>-</b>	<b>(148,228)</b>	<b>(148,228)</b>
<b>Change in net position</b>	<b>\$ 549,526</b>	<b>\$ (7,469,816)</b>	<b>\$ (6,920,290)</b>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Schedule of Revenues and Expenses

Water and Wastewater Allocation by Member  
For the Year Ended August 31, 2013

	City		
	Water	Wastewater	Total
<b>Operating revenues</b>			
Water sales	\$ 2,321,846	\$ -	\$ 2,321,846
Sewage disposal sales	-	2,971,752	2,971,752
Surcharges and other usage fees:			
Capital improvement surcharge	1,619,886	1,323,644	2,943,530
Construction reserve	41,068	33,439	74,507
Environmental reserve	-	-	-
Other operating revenue	39,943	341,426	381,369
<b>Total operating revenue</b>	<b>4,022,743</b>	<b>4,670,261</b>	<b>8,693,004</b>
<b>Operating expenses</b>			
Water distribution	1,735,094	-	1,735,094
Wastewater treatment	-	3,627,379	3,627,379
Wastewater pump stations	-	278,352	278,352
Industrial surveillance	-	94,978	94,978
Transmission and distribution	1,081,257	746,706	1,827,963
Meter service	127,879	127,881	255,760
Customer accounting and collections	78,375	78,381	156,756
General and administration	167,380	229,729	397,109
<b>Total operating expenses</b>	<b>3,189,984</b>	<b>5,183,407</b>	<b>8,373,391</b>
<b>Operating income (expense)</b>	<b>832,759</b>	<b>(513,146)</b>	<b>319,613</b>
<b>Nonoperating income (expense)</b>			
Investment earnings	36,497	32,828	69,325
Connection fees	100	100	200
Interest and amortization expense	(529,662)	(737,517)	(1,267,179)
Gain on disposal of capital assets	-	-	-
<b>Total nonoperating expense</b>	<b>(493,065)</b>	<b>(704,589)</b>	<b>(1,197,654)</b>
<b>Income (loss) before contributions</b>	<b>339,694</b>	<b>(1,217,735)</b>	<b>(878,041)</b>
Capital contributions	-	12,563	12,563
Prior year capital contributions converted to debt	-	(33,292)	(33,292)
<b>Change in net position</b>	<b>\$ 339,694</b>	<b>\$ (1,205,172)</b>	<b>\$ (865,478)</b>



Township			
Water	Wastewater	Total	Total
\$ 11,595,295	\$ -	\$ 11,595,295	\$ 13,917,141
-	11,354,222	11,354,222	14,325,974
367,582	235,498	603,080	3,546,610
111,370	88,750	200,120	274,627
-	94,686	94,686	94,686
95,433	1,150,562	1,245,995	1,627,364
<u>12,169,680</u>	<u>12,923,718</u>	<u>25,093,398</u>	<u>33,786,402</u>
7,748,542	-	7,748,542	9,483,636
-	12,523,028	12,523,028	16,150,407
-	1,007,456	1,007,456	1,285,808
-	327,902	327,902	422,880
2,127,357	3,334,927	5,462,284	7,290,247
422,006	422,005	844,011	1,099,771
258,589	258,585	517,174	673,930
596,505	812,343	1,408,848	1,805,957
<u>11,153,000</u>	<u>18,686,245</u>	<u>29,839,245</u>	<u>38,212,636</u>
<u>1,016,680</u>	<u>(5,762,527)</u>	<u>(4,745,847)</u>	<u>(4,426,234)</u>
70,117	48,384	118,501	187,826
34,175	34,176	68,351	68,551
(911,140)	(492,693)	(1,403,833)	(2,671,012)
-	12,871	12,871	12,871
<u>(806,848)</u>	<u>(397,262)</u>	<u>(1,204,110)</u>	<u>(2,401,764)</u>
209,832	(6,159,789)	(5,949,957)	(6,827,998)
-	43,373	43,373	55,936
-	(114,936)	(114,936)	(148,228)
<u>\$ 209,832</u>	<u>\$ (6,116,416)</u>	<u>\$ (5,906,584)</u>	<u>\$ (6,772,062)</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2013

	City	Township	Total
<b>Water distribution</b>			
Wages	\$ 70,964	\$ 308,321	\$ 379,285
Benefits allocation	59,372	257,956	317,328
Purchased water	1,531,731	6,654,965	8,186,696
Utilities	2,616	221,379	223,995
Maintenance and supplies	10,104	43,904	54,008
Depreciation	1,345	5,846	7,191
Other	10,495	45,592	56,087
Fleet allocation	1,967	8,545	10,512
Engineering allocation	91	398	489
Information technology allocation	3,242	14,087	17,329
Maintenance allocation	43,167	187,549	230,716
	<u>1,735,094</u>	<u>7,748,542</u>	<u>9,483,636</u>
<b>Wastewater treatment</b>			
Wages	333,595	1,151,690	1,485,285
Benefits allocation	279,101	963,559	1,242,660
Utilities	532,284	1,837,638	2,369,922
Sludge removal	64,965	224,287	289,252
Maintenance	140,022	483,408	623,430
Engineering	12,995	44,864	57,859
Laboratory	13,403	46,271	59,674
Chemicals	81,084	279,931	361,015
Depreciation	1,535,563	5,301,315	6,836,878
Other	33,036	114,052	147,088
Fleet allocation	61,965	213,926	275,891
Engineering allocation	14,274	49,277	63,551
Information technology allocation	17,799	61,448	79,247
Maintenance allocation	403,739	1,393,854	1,797,593
Laboratory allocation	103,554	357,508	461,062
	<u>3,627,379</u>	<u>12,523,028</u>	<u>16,150,407</u>
<b>Wastewater pump stations</b>			
Wages	80,691	278,574	359,265
Benefits allocation	67,510	233,068	300,578
Utilities	101,053	375,266	476,319
Maintenance and supplies	24,851	85,797	110,648
Engineering	520	-	520
Depreciation	2,582	8,914	11,496
Other	-	21,882	21,882
Engineering allocation	1,145	3,955	5,100
	<u>278,352</u>	<u>1,007,456</u>	<u>1,285,808</u>

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# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2013

	City	Township	Total
<b>Industrial surveillance</b>			
Wages	\$ 45,688	\$ 157,732	\$ 203,420
Benefits allocation	38,225	131,966	170,191
Other	6,201	21,412	27,613
Fleet allocation	2,084	7,194	9,278
Information technology allocation	2,780	9,598	12,378
	<u>94,978</u>	<u>327,902</u>	<u>422,880</u>
<b>Transmission and distribution</b>			
Wages	351,199	1,183,090	1,534,289
Benefits allocation	295,312	988,348	1,283,660
Utilities	13,392	45,108	58,500
Sewer overflow settlements	-	107,053	107,053
Maintenance:			
Shop and office	13,459	45,340	58,799
Water and sewer mains	38,717	139,002	177,719
Depreciation	907,413	2,265,125	3,172,538
Other	60,290	191,780	252,070
Fleet allocation	87,687	295,397	383,084
Engineering allocation	36,884	124,255	161,139
Information technology allocation	13,448	43,546	56,994
Maintenance allocation	10,162	34,240	44,402
	<u>1,827,963</u>	<u>5,462,284</u>	<u>7,290,247</u>
<b>Meter service</b>			
Wages	114,930	379,181	494,111
Benefits allocation	96,156	317,241	413,397
Utilities	302	1,200	1,502
Maintenance and supplies	3,563	11,754	15,317
Meter parts	6,077	20,049	26,126
Depreciation	18,798	62,019	80,817
Other	866	2,855	3,721
Fleet allocation	12,189	40,213	52,402
Information technology allocation	2,879	9,499	12,378
	<u>255,760</u>	<u>844,011</u>	<u>1,099,771</u>

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# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2013

	City	Township	Total
<b>Customer accounting and collections</b>			
Wages	\$ 64,304	\$ 212,154	\$ 276,458
Benefits allocation	53,800	177,498	231,298
Utilities	3,915	12,915	16,830
Maintenance and supplies	12,509	41,271	53,780
Postage	13,063	43,098	56,161
Depreciation	2,077	6,852	8,929
Other	1,330	4,388	5,718
Information technology allocation	5,758	18,998	24,756
	<u>156,756</u>	<u>517,174</u>	<u>673,930</u>
<b>General and administrative</b>			
Wages	39,580	136,647	176,227
Benefits allocation	33,115	114,325	147,440
Utilities	920	3,033	3,953
Maintenance and supplies	2,963	10,234	13,197
Engineering	368	1,270	1,638
Building and liability insurance	36,516	126,066	162,582
Legal and settlements	13,610	46,988	60,598
Depreciation	3,210	11,082	14,292
Other	3,796	9,861	13,657
Bad debt expense	456	45,089	45,545
Fleet allocation	3,359	11,596	14,955
Engineering allocation	17,703	61,118	78,821
Information technology allocation	5,560	19,196	24,756
Maintenance allocation	466	1,609	2,075
Human resource allocation	120,930	418,526	539,456
Accounting allocation	114,557	392,208	506,765
	<u>397,109</u>	<u>1,408,848</u>	<u>1,805,957</u>
<b>Fleet</b>			
Wages	41,752	142,306	184,058
Benefits allocation	34,932	119,060	153,992
Maintenance parts and supplies	20,713	70,596	91,309
Gas, oil and grease	33,912	115,582	149,494
Insurance	9,335	31,816	41,151
Depreciation	30,010	102,285	132,295
Other	(1,403)	(4,774)	(6,177)
Allocated to various departments	(169,251)	(576,871)	(746,122)
	<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, 2013

	City	Township	Total
<b>Human resources</b>			
Wages	\$ 52,713	\$ 182,475	\$ 235,188
Benefits allocation	44,103	152,666	196,769
Utilities	514	1,694	2,208
Safety program	679	2,350	3,029
Training and education	592	2,051	2,643
Legal and professional	8,124	28,122	36,246
Physicals	1,136	3,931	5,067
Office supplies	2,186	7,565	9,751
Depreciation	3,350	11,597	14,947
Other	3,649	12,630	16,279
Information technology allocation	3,884	13,445	17,329
Allocated to general and administrative	(120,930)	(418,526)	(539,456)
	-	-	-
<b>Benefits and payroll taxes</b>			
Health insurance	919,893	3,184,332	4,104,225
Life insurance	3,275	11,335	14,610
Disability insurance	12,168	42,123	54,291
Social security	126,010	436,202	562,212
Workers compensation	15,871	54,940	70,811
Pension contribution	255,737	885,267	1,141,004
Unemployment	2,434	8,426	10,860
Uniforms	2,482	8,592	11,074
Allocated to various departments	(1,337,870)	(4,631,217)	(5,969,087)
	-	-	-
<b>Maintenance</b>			
Wages	235,412	832,113	1,067,525
Benefits allocation	196,957	696,185	893,142
Utilities	977	3,456	4,433
Office and supplies	12,741	45,040	57,781
Other professional services	526	1,862	2,388
Depreciation	904	3,196	4,100
Other	728	2,575	3,303
Information technology allocation	9,287	32,827	42,114
Allocated to various departments	(457,532)	(1,617,254)	(2,074,786)
	-	-	-

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# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

City and Township Allocation

For the Year Ended August 31, 2013

	City	Township	Total
<b>Engineering</b>			
Wages	\$ 37,568	\$ 128,091	\$ 165,659
Benefits allocation	31,431	107,167	138,598
Utilities	75	255	330
Maintenance and supplies	551	1,878	2,429
Engineering	202	687	889
Other	271	924	1,195
Allocated to various departments	(70,098)	(239,002)	(309,100)
	-	-	-
<b>Information Technology</b>			
Wages	28,714	98,912	127,626
Benefits allocation	24,024	82,754	106,778
Utilities	90	309	399
Maintenance and supplies	13,295	45,796	59,091
Other	183	631	814
Allocated to various departments	(66,306)	(228,402)	(294,708)
	-	-	-
<b>Laboratory</b>			
Wages	52,865	182,510	235,375
Benefits allocation	44,230	152,696	196,926
Utilities	260	896	1,156
Maintenance and supplies	3,743	12,925	16,668
Contractual services	1,128	3,895	5,023
Depreciation	962	3,322	4,284
Other	366	1,264	1,630
Allocated to wastewater treatment	(103,554)	(357,508)	(461,062)
	-	-	-
<b>Accounting</b>			
Wages	47,336	163,422	210,758
Benefits allocation	39,604	136,726	176,330
Utilities	287	946	1,233
Office supplies	2,275	7,852	10,127
Audit and accounting services	12,164	41,996	54,160
Depreciation	580	2,001	2,581
Other	10,643	33,506	44,149
Information technology allocation	1,668	5,759	7,427
Allocated to general and administrative	(114,557)	(392,208)	(506,765)
	-	-	-
<b>Total operating expenses</b>	<b>\$ 8,373,391</b>	<b>\$ 29,839,245</b>	<b>\$ 38,212,636</b>

concluded.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

Water and Wastewater Allocation  
For the Year Ended August 31, 2013

	Water	Wastewater	Total
<b>Water distribution</b>			
Wages	\$ 379,285	\$ -	\$ 379,285
Benefits allocation	317,328	-	317,328
Purchased water	8,186,696	-	8,186,696
Utilities	223,995	-	223,995
Maintenance and supplies	54,008	-	54,008
Depreciation	7,191	-	7,191
Other	56,087	-	56,087
Fleet allocation	10,512	-	10,512
Engineering allocation	489	-	489
Information technology allocation	17,329	-	17,329
Maintenance allocation	230,716	-	230,716
	<u>9,483,636</u>	<u>-</u>	<u>9,483,636</u>
<b>Wastewater treatment</b>			
Wages	-	1,485,285	1,485,285
Benefits allocation	-	1,242,660	1,242,660
Utilities	-	2,369,922	2,369,922
Sludge removal	-	289,252	289,252
Maintenance	-	623,430	623,430
Engineering	-	57,859	57,859
Laboratory	-	59,674	59,674
Chemicals	-	361,015	361,015
Depreciation	-	6,836,878	6,836,878
Other	-	147,088	147,088
Fleet allocation	-	275,891	275,891
Engineering allocation	-	63,551	63,551
Information technology allocation	-	79,247	79,247
Maintenance allocation	-	1,797,593	1,797,593
Laboratory allocation	-	461,062	461,062
	<u>-</u>	<u>16,150,407</u>	<u>16,150,407</u>
<b>Wastewater pump stations</b>			
Wages	-	359,265	359,265
Benefits allocation	-	300,578	300,578
Utilities	-	476,319	476,319
Maintenance and supplies	-	110,648	110,648
Engineering	-	520	520
Depreciation	-	11,496	11,496
Other	-	21,882	21,882
Engineering allocation	-	5,100	5,100
	<u>-</u>	<u>1,285,808</u>	<u>1,285,808</u>

continued...

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

Water and Wastewater Allocation  
For the Year Ended August 31, 2013

	Water	Wastewater	Total
<b>Industrial surveillance</b>			
Wages	\$ -	\$ 203,420	\$ 203,420
Benefits allocation	-	170,191	170,191
Other	-	27,613	27,613
Fleet allocation	-	9,278	9,278
Information technology allocation	-	12,378	12,378
	<u>-</u>	<u>422,880</u>	<u>422,880</u>
<b>Transmission and distribution</b>			
Wages	459,673	1,074,616	1,534,289
Benefits allocation	383,987	899,673	1,283,660
Utilities	17,526	40,974	58,500
Sewer overflow settlements	-	107,053	107,053
Maintenance:			
Shop and office	17,616	41,183	58,799
Water and sewer mains	53,277	124,442	177,719
Depreciation	2,007,744	1,164,794	3,172,538
Other	75,477	176,593	252,070
Fleet allocation	114,774	268,310	383,084
Engineering allocation	48,275	112,864	161,139
Information technology allocation	16,964	40,030	56,994
Maintenance allocation	13,301	31,101	44,402
	<u>3,208,614</u>	<u>4,081,633</u>	<u>7,290,247</u>
<b>Meter service</b>			
Wages	247,056	247,055	494,111
Benefits allocation	206,698	206,699	413,397
Utilities	750	752	1,502
Maintenance and supplies	7,659	7,658	15,317
Meter parts	13,063	13,063	26,126
Depreciation	40,408	40,409	80,817
Other	1,861	1,860	3,721
Fleet allocation	26,201	26,201	52,402
Information technology allocation	6,189	6,189	12,378
	<u>549,885</u>	<u>549,886</u>	<u>1,099,771</u>

continued...



# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

Water and Wastewater Allocation  
For the Year Ended August 31, 2013

	Water	Wastewater	Total
<b>Customer accounting and collections</b>			
Wages	\$ 138,229	\$ 138,229	\$ 276,458
Benefits allocation	115,649	115,649	231,298
Utilities	8,415	8,415	16,830
Maintenance and supplies	26,890	26,890	53,780
Postage	28,080	28,081	56,161
Depreciation	4,464	4,465	8,929
Other	2,859	2,859	5,718
Information technology allocation	12,378	12,378	24,756
	<u>336,964</u>	<u>336,966</u>	<u>673,930</u>
<b>General and administrative</b>			
Wages	88,113	88,114	176,227
Benefits allocation	73,720	73,720	147,440
Utilities	1,977	1,976	3,953
Maintenance and supplies	6,599	6,598	13,197
Engineering	819	819	1,638
Building and liability insurance	81,291	81,291	162,582
Legal and settlements	30,299	30,299	60,598
Depreciation	7,146	7,146	14,292
Other	6,828	6,829	13,657
Bad debt expense	22,772	22,773	45,545
Fleet allocation	7,478	7,477	14,955
Engineering allocation	39,410	39,411	78,821
Information technology allocation	12,378	12,378	24,756
Maintenance allocation	1,037	1,038	2,075
Human resource allocation	130,633	408,823	539,456
Accounting allocation	253,385	253,380	506,765
	<u>763,885</u>	<u>1,042,072</u>	<u>1,805,957</u>
<b>Fleet</b>			
Wages	39,214	144,844	184,058
Benefits allocation	32,808	121,184	153,992
Maintenance parts and supplies	19,455	71,854	91,309
Gas, oil and grease	31,850	117,644	149,494
Insurance	8,767	32,384	41,151
Depreciation	28,186	104,109	132,295
Other	(1,315)	(4,862)	(6,177)
Allocated to various departments	(158,965)	(587,157)	(746,122)
	<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, 2013

	Water	Wastewater	Total
<b>Human resources</b>			
Wages	\$ 56,703	\$ 178,485	\$ 235,188
Benefits allocation	47,440	149,329	196,769
Utilities	1,104	1,104	2,208
Safety program	730	2,299	3,029
Training and education	637	2,006	2,643
Legal and professional	8,739	27,507	36,246
Physicals	1,222	3,845	5,067
Office supplies	2,351	7,400	9,751
Depreciation	3,604	11,343	14,947
Other	3,925	12,354	16,279
Information technology allocation	4,178	13,151	17,329
Allocated to general and administrative	(130,633)	(408,823)	(539,456)
	-	-	-
<b>Benefits and payroll taxes</b>			
Health insurance	989,511	3,114,714	4,104,225
Life insurance	3,522	11,088	14,610
Disability insurance	13,089	41,202	54,291
Social security	135,547	426,665	562,212
Workers compensation	17,072	53,739	70,811
Pension contribution	275,091	865,913	1,141,004
Unemployment	2,618	8,242	10,860
Uniforms	2,670	8,404	11,074
Allocated to various departments	(1,439,120)	(4,529,967)	(5,969,087)
	-	-	-
<b>Maintenance</b>			
Wages	126,086	941,439	1,067,525
Benefits allocation	105,490	787,652	893,142
Utilities	524	3,909	4,433
Office and supplies	6,824	50,957	57,781
Other professional services	282	2,106	2,388
Depreciation	484	3,616	4,100
Other	390	2,913	3,303
Information technology allocation	4,974	37,140	42,114
Allocated to various departments	(245,054)	(1,829,732)	(2,074,786)
	-	-	-

continued...

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses

Water and Wastewater Allocation  
For the Year Ended August 31, 2013

	Water	Wastewater	Total
<b>Engineering</b>			
Wages	\$ 47,256	\$ 118,403	\$ 165,659
Benefits allocation	39,537	99,061	138,598
Utilities	94	236	330
Maintenance and supplies	693	1,736	2,429
Engineering	254	635	889
Other	340	855	1,195
Allocated to various departments	(88,174)	(220,926)	(309,100)
	-	-	-
<b>Information Technology</b>			
Wages	33,823	93,803	127,626
Benefits allocation	28,298	78,480	106,778
Utilities	106	293	399
Maintenance and supplies	15,660	43,431	59,091
Other	216	598	814
Allocated to various departments	(78,103)	(216,605)	(294,708)
	-	-	-
<b>Laboratory</b>			
Wages	-	235,375	235,375
Benefits allocation	-	196,926	196,926
Utilities	-	1,156	1,156
Maintenance and supplies	-	16,668	16,668
Contractual services	-	5,023	5,023
Depreciation	-	4,284	4,284
Other	-	1,630	1,630
Allocated to wastewater treatment	-	(461,062)	(461,062)
	-	-	-
<b>Accounting</b>			
Wages	105,379	105,379	210,758
Benefits allocation	88,165	88,165	176,330
Utilities	617	616	1,233
Office supplies	5,064	5,063	10,127
Audit and accounting services	27,080	27,080	54,160
Depreciation	1,291	1,290	2,581
Other	22,076	22,073	44,149
Information technology allocation	3,713	3,714	7,427
Allocated to general and administrative	(253,385)	(253,380)	(506,765)
	-	-	-
<b>Total operating expenses</b>	<b>\$ 14,342,984</b>	<b>\$ 23,869,652</b>	<b>\$ 38,212,636</b>

concluded.

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
<b>Water distribution</b>				
Wages	\$ 383,331	\$ 383,331	\$ 379,285	\$ (4,046)
Benefits allocation	432,494	432,494	317,328	(115,166)
Purchased water	7,746,722	7,746,722	8,186,696	439,974
Utilities	206,400	206,400	223,995	17,595
Maintenance and supplies	26,175	26,175	54,008	27,833
Engineering	1,000	1,000	-	(1,000)
Depreciation	7,191	7,191	7,191	-
Other	45,950	45,950	56,087	10,137
Fleet allocation	569	569	10,512	9,943
Engineering allocation	-	-	489	489
Information technology allocation	-	-	17,329	17,329
Maintenance allocation	86,562	86,562	230,716	144,154
	<u>8,936,394</u>	<u>8,936,394</u>	<u>9,483,636</u>	<u>547,242</u>
<b>Wastewater treatment</b>				
Wages	1,457,301	1,457,301	1,485,285	27,984
Benefits allocation	2,132,518	2,132,518	1,242,660	(889,858)
Utilities	2,897,500	2,897,500	2,369,922	(527,578)
Sludge removal	265,000	265,000	289,252	24,252
Maintenance	678,000	678,000	623,430	(54,570)
Engineering	44,000	44,000	57,859	13,859
Laboratory	28,350	28,350	59,674	31,324
Chemicals	600,000	600,000	361,015	(238,985)
Depreciation	6,812,045	6,812,045	6,836,878	24,833
Other	123,500	123,500	147,088	23,588
Fleet allocation	440,808	440,808	275,891	(164,917)
Engineering allocation	-	-	63,551	63,551
Information technology allocation	-	-	79,247	79,247
Maintenance allocation	2,379,819	2,379,819	1,797,593	(582,226)
Laboratory allocation	682,475	682,475	461,062	(221,413)
	<u>18,541,316</u>	<u>18,541,316</u>	<u>16,150,407</u>	<u>(2,390,909)</u>
<b>Wastewater pump stations</b>				
Wages	224,811	224,811	359,265	134,454
Benefits allocation	280,447	280,447	300,578	20,131
Utilities	568,900	568,900	476,319	(92,581)
Maintenance and supplies	153,350	153,350	110,648	(42,702)
Engineering	500	500	520	20
Depreciation	11,496	11,496	11,496	-
Other	35,000	35,000	21,882	(13,118)
Engineering allocation	-	-	5,100	5,100
	<u>1,274,504</u>	<u>1,274,504</u>	<u>1,285,808</u>	<u>11,304</u>

continued...

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
<b>Industrial surveillance</b>				
Wages	\$ 191,928	\$ 191,928	\$ 203,420	\$ 11,492
Benefits allocation	181,375	181,375	170,191	(11,184)
Other	18,250	18,250	27,613	9,363
Fleet allocation	26,008	26,008	9,278	(16,730)
Information technology allocation	-	-	12,378	12,378
	<u>417,561</u>	<u>417,561</u>	<u>422,880</u>	<u>5,319</u>
<b>Transmission and distribution</b>				
Wages	1,556,748	1,556,748	1,534,289	(22,459)
Benefits allocation	1,480,627	1,480,627	1,283,660	(196,967)
Utilities	60,433	60,433	58,500	(1,933)
Sewer overflow settlements	80,000	80,000	107,053	27,053
Maintenance:				
Shop and office	47,610	47,610	58,799	11,189
Water and sewer mains	210,200	210,200	177,719	(32,481)
Engineering	1,000	1,000	-	(1,000)
Depreciation	3,114,059	3,114,059	3,172,538	58,479
Other	235,700	235,700	252,070	16,370
Fleet allocation	276,849	276,849	383,084	106,235
Engineering allocation	-	-	161,139	161,139
Information technology allocation	-	-	56,994	56,994
Maintenance allocation	38,864	38,864	44,402	5,538
	<u>7,102,090</u>	<u>7,102,090</u>	<u>7,290,247</u>	<u>188,157</u>
<b>Meter service</b>				
Wages	570,934	570,934	494,111	(76,823)
Benefits allocation	501,197	501,197	413,397	(87,800)
Utilities	6,400	6,400	1,502	(4,898)
Maintenance and supplies	7,500	7,500	15,317	7,817
Meter parts	43,500	43,500	26,126	(17,374)
Depreciation	132,716	132,716	80,817	(51,899)
Other	3,890	3,890	3,721	(169)
Fleet allocation	24,125	24,125	52,402	28,277
Information technology allocation	-	-	12,378	12,378
	<u>1,290,262</u>	<u>1,290,262</u>	<u>1,099,771</u>	<u>(190,491)</u>

continued...

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
<b>Customer accounting/collections</b>				
Wages	\$ 276,890	\$ 276,890	\$ 276,458	\$ (432)
Benefits allocation	271,426	271,426	231,298	(40,128)
Utilities	20,000	20,000	16,830	(3,170)
Maintenance and supplies	46,100	46,100	53,780	7,680
Postage	69,000	69,000	56,161	(12,839)
Depreciation	8,753	8,753	8,929	176
Other	2,125	2,125	5,718	3,593
Information technology allocation	-	-	24,756	24,756
	<u>694,294</u>	<u>694,294</u>	<u>673,930</u>	<u>(20,364)</u>
<b>General and administrative</b>				
Wages	172,789	172,789	176,227	3,438
Benefits allocation	1,285,507	1,285,507	147,440	(1,138,067)
Utilities	650	650	3,953	3,303
Maintenance and supplies	6,350	6,350	13,197	6,847
Engineering	-	-	1,638	1,638
Building and liability insurance	215,000	215,000	162,582	(52,418)
Legal and settlements	120,000	120,000	60,598	(59,402)
Other professional services	1,500	1,500	-	(1,500)
Depreciation	14,292	14,292	14,292	-
Other	56,900	56,900	13,657	(43,243)
Bad debt expense	-	-	45,545	45,545
Fleet allocation	22,675	22,675	14,955	(7,720)
Engineering allocation	-	-	78,821	78,821
Information technology allocation	-	-	24,756	24,756
Maintenance allocation	-	-	2,075	2,075
Human resource allocation	542,975	542,975	539,456	(3,519)
Accounting allocation	496,592	496,592	506,765	10,173
	<u>2,935,230</u>	<u>2,935,230</u>	<u>1,805,957</u>	<u>(1,129,273)</u>
<b>Fleet</b>				
Wages	179,417	179,417	184,058	4,641
Benefits allocation	157,502	157,502	153,992	(3,510)
Radio maintenance	2,000	2,000	-	(2,000)
Maintenance parts and supplies	99,600	99,600	91,309	(8,291)
Gas, oil and grease	210,000	210,000	149,494	(60,506)
Insurance	36,000	36,000	41,151	5,151
Depreciation	128,376	128,376	132,295	3,919
Other	5,200	5,200	(6,177)	(11,377)
Allocated to various departments	(818,095)	(818,095)	(746,122)	71,973
	<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, 2013

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
<b>Human resources</b>				
Wages	\$ 231,805	\$ 231,805	\$ 235,188	\$ 3,383
Benefits allocation	231,848	231,848	196,769	(35,079)
Utilities	650	650	2,208	1,558
Safety program	3,500	3,500	3,029	(471)
Training and education	6,000	6,000	2,643	(3,357)
Legal and professional	20,000	20,000	36,246	16,246
Physicals	8,000	8,000	5,067	(2,933)
Office supplies	3,100	3,100	9,751	6,651
Depreciation	14,947	14,947	14,947	-
Other	23,125	23,125	16,279	(6,846)
Information technology allocation	-	-	17,329	17,329
Allocated to general and administrative	(542,975)	(542,975)	(539,456)	3,519
	-	-	-	-
<b>Benefits and payroll taxes</b>				
Health insurance	4,547,531	4,547,531	4,104,225	(443,306)
Life insurance	13,812	13,812	14,610	798
Disability insurance	53,148	53,148	54,291	1,143
Social security	559,548	559,548	562,212	2,664
Workers compensation	77,904	77,904	70,811	(7,093)
Pension contribution	1,195,210	1,195,210	1,141,004	(54,206)
Unemployment	11,584	11,584	10,860	(724)
Uniforms	14,700	14,700	11,074	(3,626)
Allocated to various departments	(6,473,437)	(6,473,437)	(5,969,087)	504,350
	-	-	-	-
<b>Maintenance</b>				
Wages	1,318,163	1,318,163	1,067,525	(250,638)
Benefits allocation	1,157,155	1,157,155	893,142	(264,013)
Utilities	-	-	4,433	4,433
Office and supplies	36,750	36,750	57,781	21,031
Other professional services	-	-	2,388	2,388
Depreciation	4,100	4,100	4,100	-
Other	7,500	7,500	3,303	(4,197)
Information technology allocation	-	-	42,114	42,114
Allocated to various departments	(2,523,668)	(2,523,668)	(2,074,786)	448,882
	-	-	-	-

continued...

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Detailed Schedule of Operating Expenses - Budget and Actual

For the Year Ended August 31, 2013

	Original Budget	Amended Budget	Actual	Actual Over (Under) Final Budget
<b>Engineering</b>				
Wages	\$ 165,716	\$ 165,716	\$ 165,659	\$ (57)
Benefits allocation	145,474	145,474	138,598	(6,876)
Utilities	450	450	330	(120)
Maintenance and supplies	1,500	1,500	2,429	929
Engineering	1,500	1,500	889	(611)
Other	1,510	1,510	1,195	(315)
Allocated to various departments	(316,150)	(316,150)	(309,100)	7,050
	-	-	-	-
<b>Information Technology</b>				
Wages	129,897	129,897	127,626	(2,271)
Benefits allocation	114,030	114,030	106,778	(7,252)
Utilities	410	410	399	(11)
Maintenance and supplies	750	750	59,091	58,341
Other	1,875	1,875	814	(1,061)
Allocated to various departments	(246,962)	(246,962)	(294,708)	(47,746)
	-	-	-	-
<b>Laboratory</b>				
Wages	312,611	312,611	235,375	(77,236)
Benefits allocation	274,427	274,427	196,926	(77,501)
Utilities	850	850	1,156	306
Maintenance and supplies	81,753	81,753	16,668	(65,085)
Contractual services	6,000	6,000	5,023	(977)
Depreciation	4,284	4,284	4,284	-
Other	2,550	2,550	1,630	(920)
Allocated to wastewater treatment	(682,475)	(682,475)	(461,062)	221,413
	-	-	-	-
<b>Accounting</b>				
Wages	201,819	201,819	210,758	8,939
Benefits allocation	177,167	177,167	176,330	(837)
Utilities	625	625	1,233	608
Office supplies	5,900	5,900	10,127	4,227
Audit and accounting services	60,000	60,000	54,160	(5,840)
Depreciation	2,581	2,581	2,581	-
Other	48,500	48,500	44,149	(4,351)
Information technology allocation	-	-	7,427	7,427
Allocated to general and administrative	(496,592)	(496,592)	(506,765)	(10,173)
	-	-	-	-
<b>Total operating expenses</b>	<b>\$ 41,191,651</b>	<b>\$ 41,191,651</b>	<b>\$ 38,212,636</b>	<b>\$ (2,979,015)</b>

concluded.



## STATISTICAL SECTION

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Revenues and Expenses - Unaudited

Last Ten Fiscal Years Ended August 31

	2013	2012	2011	2010
Operating revenue				
Water sales	\$ 13,917,141	\$ 14,548,680	\$ 13,148,378	\$ 11,896,822
Sewage disposal sales	14,325,974	14,479,442	14,805,649	13,438,220
Surcharges and other usage fees	3,915,923	3,890,623	3,757,175	3,824,805
Other operating revenue	1,627,364	1,598,545	1,635,819	1,686,828
Sales discounts	(1) -	-	-	-
<b>Total operating revenue</b>	<b>33,786,402</b>	<b>34,517,290</b>	<b>33,347,021</b>	<b>30,846,675</b>
Operating expenses				
Water distribution	9,483,636	9,036,006	7,792,536	7,081,762
Wastewater treatment	16,150,407	16,249,549	16,017,852	16,080,897
Wastewater pump stations	1,285,808	1,620,234	1,027,107	1,098,445
Industrial surveillance	422,880	393,651	368,906	378,400
Transmission and distribution	7,290,247	7,071,733	6,706,413	6,502,734
Meter service	1,099,771	1,280,659	1,229,452	1,038,294
Customer accounting and collections	673,930	594,560	641,919	757,180
General and administration	1,805,957	1,788,764	2,511,663	2,800,453
<b>Total operating expenses</b>	<b>38,212,636</b>	<b>38,035,156</b>	<b>36,295,848</b>	<b>35,738,165</b>
Operating income (loss)	(4,426,234)	(3,517,866)	(2,948,827)	(4,891,490)
Nonoperating income (expense)				
Investment earnings	187,826	212,126	237,628	265,257
Connection fees	68,551	35,250	2,304	3,751
Debt service contributions	-	-	-	-
Interest and amortization expense	(2,671,012)	(2,757,137)	(2,769,043)	(2,693,219)
Gain (loss) on disposal of capital assets	12,871	1,694	31,117	(348,062)
<b>Total nonoperating income (expense)</b>	<b>(2,401,764)</b>	<b>(2,508,067)</b>	<b>(2,497,994)</b>	<b>(2,772,273)</b>
Income (loss) before contributions and special item	<b>\$ (6,827,998)</b>	<b>\$ (6,025,933)</b>	<b>\$ (5,446,821)</b>	<b>\$ (7,663,763)</b>

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

Table 1

2009	2008	2007	2006	2005	2004
\$ 11,829,728	\$ 12,338,209	\$ 12,680,932	\$ 11,542,307	\$ 11,649,244	\$ 9,763,879
15,683,034	16,422,599	16,480,689	13,621,058	13,701,463	14,274,813
3,915,930	4,070,849	4,195,911	4,422,394	4,460,475	3,649,946
1,863,459	1,562,404	2,500,151	2,217,203	2,159,409	2,408,713
-	-	-	-	-	(80,105)
<u>33,292,151</u>	<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>
6,680,598	7,527,032	7,486,176	7,085,751	6,930,845	5,873,120
16,928,838	17,771,780	16,977,585	13,052,424	10,226,090	10,062,008
1,106,431	1,145,548	1,054,513	883,122	834,416	771,991
516,865	336,782	335,299	335,131	375,466	174,773
6,814,592	6,627,636	6,630,235	6,105,316	5,766,919	4,938,907
1,281,173	1,436,719	1,518,009	1,513,485	1,419,979	1,147,385
842,231	872,717	837,640	791,665	720,370	680,264
2,917,627	2,467,995	2,424,113	2,438,567	2,125,010	1,912,661
<u>37,088,355</u>	<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>
(3,796,204)	(3,792,148)	(1,405,887)	(402,499)	3,571,496	4,456,137
462,878	998,650	1,595,219	958,973	651,753	1,181,681
593,613	155,860	265,589	909,761	975,348	2,145,105
-	-	63,007	146,476	1,004,525	206,509
(2,712,540)	(2,783,337)	(2,747,453)	(1,109,703)	(951,745)	(1,220,577)
3,602	32,337	19,852	-	(75,287)	(1,969,458)
<u>(1,652,447)</u>	<u>(1,596,490)</u>	<u>(803,786)</u>	<u>905,507</u>	<u>1,604,594</u>	<u>343,260</u>
<u>\$ (5,448,651)</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>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Revenues and Expenses - City Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2013	2012	2011	2010
<b>Operating revenue</b>				
Water sales	\$ 2,321,846	\$ 2,350,010	\$ 2,117,075	\$ 1,959,836
Sewage disposal sales	2,971,752	2,976,710	3,210,681	2,908,831
Surcharges and other usage fees	3,018,037	3,007,247	2,905,733	2,990,356
Other operating revenue	381,369	397,267	410,163	392,322
Sales discounts	(1) -	-	-	-
<b>Total operating revenue</b>	<u>8,693,004</u>	<u>8,731,234</u>	<u>8,643,652</u>	<u>8,251,345</u>
<b>Operating expenses</b>				
Water distribution	1,735,094	1,495,435	1,220,447	1,104,248
Wastewater treatment	3,627,379	3,622,023	3,757,790	3,772,580
Wastewater pump stations	278,352	308,345	199,909	261,659
Industrial surveillance	94,978	87,743	86,546	88,772
Transmission and distribution	1,827,963	1,927,194	1,812,792	1,741,448
Meter service	255,760	296,564	284,591	239,901
Customer accounting and collections	156,756	137,699	148,668	175,060
General and administration	397,109	391,822	585,766	658,522
<b>Total operating expenses</b>	<u>8,373,391</u>	<u>8,266,825</u>	<u>8,096,509</u>	<u>8,042,190</u>
<b>Operating income (loss)</b>	<u>319,613</u>	<u>464,409</u>	<u>547,143</u>	<u>209,155</u>
<b>Nonoperating income (expense)</b>				
Investment earnings	69,325	72,503	77,554	98,523
Connection fees	200	9,354	-	3,751
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,267,179)	(1,226,770)	(1,263,478)	(1,311,768)
Gain (loss) on disposal of capital assets	-	-	8,744	(97,805)
<b>Total nonoperating income (expense)</b>	<u>(1,197,654)</u>	<u>(1,144,913)</u>	<u>(1,177,180)</u>	<u>(1,307,299)</u>
<b>Income (loss) before contributions and special item</b>	<u>\$ (878,041)</u>	<u>\$ (680,504)</u>	<u>\$ (630,037)</u>	<u>\$ (1,098,144)</u>

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

Table 2

2009	2008	2007	2006	2005	2004
\$ 1,903,714	\$ 1,930,661	\$ 1,874,679	\$ 1,514,474	\$ 1,813,223	\$ 1,898,864
3,353,761	3,505,232	3,311,569	2,983,581	2,899,389	3,057,411
3,043,380	3,155,294	3,154,752	3,249,101	3,341,073	2,609,737
384,288	415,965	998,639	484,405	475,132	433,067
-	-	-	-	-	2,336
<u>8,685,143</u>	<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>
1,039,709	1,117,918	1,047,563	1,035,327	985,830	939,023
3,968,120	4,185,210	4,199,045	3,016,898	2,280,419	2,253,203
236,208	251,459	232,488	170,871	174,512	167,913
121,153	78,639	82,920	77,884	83,730	38,824
2,227,406	1,863,539	1,811,269	1,245,754	1,174,276	1,104,675
293,137	336,541	361,620	362,019	334,123	284,106
192,787	204,304	199,025	189,367	169,503	169,654
693,653	583,954	591,252	554,375	460,812	402,537
<u>8,772,173</u>	<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>(87,030)</u>	<u>385,588</u>	<u>814,457</u>	<u>1,579,066</u>	<u>2,865,612</u>	<u>2,641,480</u>
160,812	341,508	704,584	347,237	219,724	285,942
17,224	2,122	10,455	61,780	102,504	26,102
-	-	63,007	146,476	149,273	169,161
(1,347,719)	(1,387,097)	(1,238,663)	(711,028)	(405,501)	(610,808)
-	-	-	-	-	(550,816)
<u>(1,169,683)</u>	<u>(1,043,467)</u>	<u>(460,617)</u>	<u>(155,535)</u>	<u>66,000</u>	<u>(680,419)</u>
<u>\$ (1,256,713)</u>	<u>\$ (657,879)</u>	<u>\$ 353,840</u>	<u>\$ 1,423,531</u>	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</u>

# YPSILANTI COMMUNITY UTILITIES AUTHORITY

## Revenues and Expenses - Township Division - Unaudited

Last Ten Fiscal Years Ended August 31

	2013	2012	2011	2010
Operating revenue				
Water sales	\$ 11,595,295	\$ 12,198,670	\$ 11,031,303	\$ 9,936,986
Sewage disposal sales	11,354,222	11,502,732	11,594,968	10,529,389
Surcharges and other usage fees	897,886	883,376	851,442	834,449
Other operating revenue	1,245,995	1,201,278	1,225,656	1,294,506
Sales discounts	(1) -	-	-	-
<b>Total operating revenue</b>	<b>25,093,398</b>	<b>25,786,056</b>	<b>24,703,369</b>	<b>22,595,330</b>
Operating expenses				
Water distribution	7,748,542	7,540,571	6,572,089	5,977,514
Wastewater treatment	12,523,028	12,627,526	12,260,062	12,308,317
Wastewater pump stations	1,007,456	1,311,889	827,198	836,786
Industrial surveillance	327,902	305,908	282,360	289,628
Transmission and distribution	5,462,284	5,144,539	4,893,621	4,761,286
Meter service	844,011	984,095	944,861	798,393
Customer accounting and collections	517,174	456,861	493,251	582,120
General and administration	1,408,848	1,396,942	1,925,897	2,141,931
<b>Total operating expenses</b>	<b>29,839,245</b>	<b>29,768,331</b>	<b>28,199,339</b>	<b>27,695,975</b>
Operating income (loss)	<b>(4,745,847)</b>	<b>(3,982,275)</b>	<b>(3,495,970)</b>	<b>(5,100,645)</b>
Nonoperating income (expense)				
Investment earnings	118,501	139,623	160,074	166,734
Connection fees	68,351	25,896	2,304	-
Debt service contributions	-	-	-	-
Interest and amortization expense	(1,403,833)	(1,530,367)	(1,505,565)	(1,381,451)
Gain (loss) on disposal of capital assets	12,871	1,694	22,373	(250,257)
<b>Total nonoperating income (expense)</b>	<b>(1,204,110)</b>	<b>(1,363,154)</b>	<b>(1,320,814)</b>	<b>(1,464,974)</b>
Income (loss) before contributions and special item	<b>\$ (5,949,957)</b>	<b>\$ (5,345,429)</b>	<b>\$ (4,816,784)</b>	<b>\$ (6,565,619)</b>

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

Table 3

	2009	2008	2007	2006	2005	2004
\$	9,926,014	\$ 10,407,548	\$ 10,806,253	\$ 10,027,833	\$ 9,836,021	\$ 7,865,015
	12,329,273	12,917,367	13,169,120	10,637,477	10,802,074	11,217,402
	872,550	915,555	1,041,159	1,173,293	1,119,402	1,040,209
	1,479,171	1,146,439	1,501,512	1,732,798	1,684,277	1,975,646
	-	-	-	-	-	(82,441)
	<u>24,607,008</u>	<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>
	5,640,889	6,409,114	6,438,613	6,050,424	5,945,015	4,929,893
	12,960,718	13,586,570	12,778,540	10,035,526	7,945,671	7,825,218
	870,223	894,089	822,025	712,251	659,904	604,078
	395,712	258,143	252,379	257,247	291,736	135,949
	4,587,186	4,764,097	4,818,966	4,859,562	4,592,643	3,826,206
	988,036	1,100,178	1,156,389	1,151,466	1,085,856	863,279
	649,444	668,413	638,615	602,298	550,867	510,610
	2,223,974	1,884,041	1,832,861	1,884,192	1,664,198	1,505,941
	<u>28,316,182</u>	<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>(3,709,174)</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>
	302,066	657,142	890,635	611,736	432,029	895,739
	576,389	153,738	255,134	847,981	872,844	2,119,003
	-	-	-	-	855,252	37,348
	(1,364,821)	(1,396,240)	(1,508,790)	(398,675)	(546,244)	(609,769)
	3,602	32,337	19,852	-	(75,287)	(1,418,642)
	<u>(482,764)</u>	<u>(553,023)</u>	<u>(343,169)</u>	<u>1,061,042</u>	<u>1,538,594</u>	<u>1,023,679</u>
\$	<u>(4,191,938)</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>

**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
2013	\$ 34,042,779	\$ 27,922,291	\$ 6,120,488	\$ 5,844,681	1.05
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

(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).