

Ypsilanti Community Utilities Authority

Environmental Leaders



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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended August 31, 2005



REHMANN ROBSON

Certified Public Accountants

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2005

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INTRODUCTORY SECTION



December 5, 2005

**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, 2005.

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, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that YCUA’s financial statements for the fiscal year ended August 31, 2005 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 and Superior. YCUA also contracts with Sumpter Township for wastewater treatment and the 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 the staff duplication and economies of scale could be achieved. The fact that the City is almost completely surrounded by the Township makes the combination of the two systems an obvious economic advantage.

The new 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 has resulted in a request by the 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 will add 17 MGD to the YCUA wastewater facility, began in 2002 and will continue through 2006. The plant will then be able to handle all of the sewage of Northville and Plymouth Townships, and a majority of the sewage of Canton Township. The plan calls for plant updating, more odor controls, safer disinfection equipment and a more efficient incinerator for burning sewage sludge, which will replace our current unit. Engineers estimate air pollution will be reduced by more than 80%. Eight MGD capacity has been leased to WTUA, which will help pay for many of these improvements.

Construction has begun on the plant expansion/improvements project and is approximately 90% completed. The remainder of the \$112 million project will be completed by 2006 and will include improvements to the administration building, maintenance building, filter building, disinfection systems, grit and screening building, clarifiers and basins. Major modifications will also be made to the plant's solids processing building. WTUA's share of the project cost is currently estimated to be 71.6%; the Authority will be responsible for the remaining portion. At completion, WTUA will have rights to use up to 54% of the total plant capacity.

The first phase of the plant expansion started in June 2002 with construction of an ultraviolet (UV) disinfection facility. The UV disinfection facility is complete, online and working, allowing for the removal of liquid chlorine and sulfur dioxide from the plant site.

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

Cash received from WTUA for the wastewater treatment plant construction project was placed in a separate trust account and invested in U.S. government securities and money market funds. As construction costs are invoiced, WTUA's share of these costs is drawn from the trust account.

Pension and other postemployment benefits. The Authority participates in an agent multiple-employer plan that provides pension benefits for all full-time employees. The annual actuarial valuation for this plan shows that it is 70% funded as of December 31, 2004 (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 the end of the current fiscal year, there were 56 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. GAAP do not require governments to report a liability in the financial statements in connection with an employer's obligation to provide these benefits.

Additional information on the Authority's retirement plan and postemployment benefits can be found in Notes 4-C and 4-D in the notes to the financial statements.

Acknowledgements

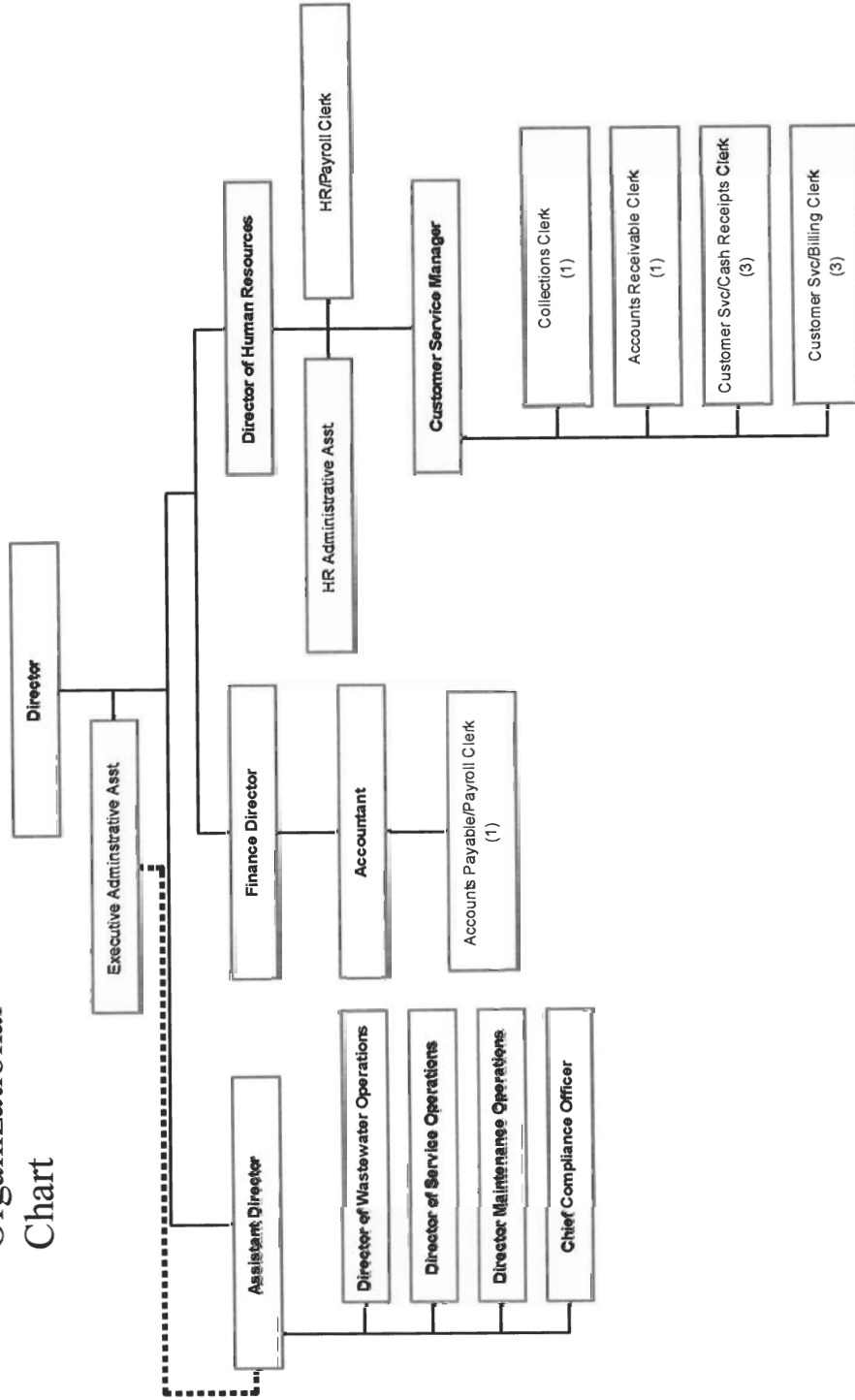
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Ypsilanti Community Utilities Authority. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this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

Larry R. Thomas
Executive Director

Upper Management and Other Key Accounting Personnel



Organizational Chart



FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

December 5, 2005

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

We have audited the accompanying basic financial statements of the *Ypsilanti Community Utilities Authority* as of and for the years ended August 31, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ypsilanti Community Utilities Authority as of August 31, 2005 and 2004, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2005, on our consideration of the Authority's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, in a separately issued single audit report. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, supplementary financial schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary financial schedules have been subjected to the auditing procedures applied in the audit of the basic 2005 financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS



Management's Discussion and Analysis

As management of the *Ypsilanti Community Utilities Authority* we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended August 31, 2005. We encourage readers to consider the information presented herein conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-iv of this report.

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal by \$195,121,759 (*net assets*). Of this amount, \$13,341,903 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets increased by \$20,009,895.
- The Authority's total long-term debt (i.e., bonds and capital leases) increased by \$3,676,047 during the current fiscal year; no new debt was incurred during the year, although draws of \$6,685,169 were made against previously authorized debt, primarily drinking water revolving fund loans through the State of Michigan.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The basic financial statements are comprised of:

- The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.
- The *statement of revenues, expenses and changes in net assets* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

- The *statement of cash flows* presents the change in the Authority's cash and investments for the most recent fiscal year.
- The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Generally, these schedules provide a breakdown of revenue and expenses between the political subdivisions (i.e., the City and Township) and/or the primary operating functions (i.e., water and wastewater), along with a comparison of planned and actual expenses.

The Authority presents its supplementary financial information classified into the components of city, township, water and wastewater. The city and township divisions together comprise the activity of the Authority in total. The water and wastewater divisions together also comprise the activity of the Authority in total. The water and wastewater divisions assist management in assessing the financial activity of the Authority's principal functions. The city and township divisions assist the member communities in assessing the impact of operations on their constituents.

The Authority operates a single wastewater treatment plant, obtains its water from a single source and maintains a single group of related supporting functions. It is not possible to directly associate the cost of these activities to the city or township divisions. Instead, the reporting by division is achieved by allocating particular revenue and expense account balances using relevant objective measures. Similar allocations are used to produce financial information for the water and wastewater divisions.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of YCUA, assets exceeded liabilities by \$195,121,759 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net assets (85.5 percent) is its investment in capital assets (e.g., land, buildings, systems, equipment and construction in process), less any related debt used to acquire those assets that is still outstanding. The Authority uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although YCUA's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Authority's net assets (7.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the Authority's ongoing obligations to system users and creditors.

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

YCUA's Net Assets

	2005	2004
Current and other assets	\$ 22,250,604	\$ 21,962,228
Restricted assets	14,885,048	20,818,776
Capital assets	238,299,852	214,686,757
Total assets	275,435,504	257,467,761
Long-term liabilities outstanding	73,777,626	69,934,402
Other liabilities	6,536,119	12,421,495
Total liabilities	80,313,745	82,355,897
Net assets:		
Invested in capital assets, net of related debt	166,894,808	147,015,183
Restricted	14,885,048	20,818,776
Unrestricted	13,341,903	7,277,905
Total net assets	\$195,121,759	\$175,111,864

The Authority's net assets increased by \$20,009,895 during the current fiscal year. Key elements of this increase include:

- Capital contributions of over \$14.8 million were made to the Authority.
- Water sales increased by \$1,885,365 (or 19.3 percent) because of maximum usage and a rate increase, causing direct costs for water distribution to increase by \$1,057,725 (or 18.0 percent).
- Sewage disposal sales decreased by \$573,350 (or 4.0 percent) primarily due to the annual adjustment between contract community rates and payments, while usage demonstrated slight growth; direct costs for wastewater treatment increased \$164,082 (or 1.6%). Total wastewater generated by the City and Township increased by 0.8 percent, whereas wastewater treated for WTUA increased 0.8 percent.

- Total operating expenses increased by \$2,837,986 or 11.1 percent primarily reflecting the direct costs of water purchase and distribution expense.
- Both the city and township divisions had rate increases as follows:
 - The city division increased sewer rates 2.0 percent and water rates 4.6 percent; the surcharge remained unchanged at 80.0 percent. These rates all became effective November 1, 2005. Prior to that, effective July 1, 2004, sewer rates had increased 3.0 percent, water rates were unchanged, and the surcharge had increased from 54.0 to 80.0 percent.
 - The township division sewer rates increased 2.0 percent and water rates 4.6 percent, both effective September 1, 2005. Previously, effective July 1, 2004, the township water rate had increased 17.97 percent, the sewage rate 3.0 percent and 5.0 percent surcharge added July 1, 2004 was continued.

YCUA's Changes in Net Assets

	2005	2004
Operating revenue	\$ 31,970,591	\$ 30,017,246
Expenses:		
Water division	11,838,833	10,040,526
Wastewater division	16,560,262	15,520,583
Total expenses	28,399,095	25,561,109
Operating income	3,571,496	4,456,137
Non-operating revenue	1,604,594	343,260
Net income	5,176,090	4,799,397
Capital contributions	14,833,805	38,985,584
Change in net assets	20,009,895	43,784,981
Net assets - beginning	175,111,864	131,326,883
Net assets - end of year	\$195,121,759	\$175,111,864

Capital Asset and Debt Administration

Capital assets. YCUA's investment in capital assets as of August 31, 2005, amounted to \$238.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, plants, transmission lines, vehicles and other equipment. Total net capital assets increased by \$23.6 million or 11.0 percent. The vast majority of the increase is attributable to the wastewater treatment plant expansion and improvements.

YCUA's Capital Assets (net of depreciation)

	<u>2005</u>	<u>2004</u>
Land	\$ 1,298,704	\$ 1,298,704
Buildings and improvements	1,363,813	1,418,212
Wastewater treatment plant	31,653,447	29,037,552
Water and wastewater systems	76,646,383	75,319,012
Vehicles	811,506	821,655
Equipment	1,795,958	1,974,971
Construction in process	<u>124,730,041</u>	<u>104,816,651</u>
Total	<u>\$238,299,852</u>	<u>\$214,686,757</u>

Additional information on the Authority's capital assets can be found in Note 3-D on page 22 of this report.

Long-term debt. At year-end, the Authority had \$73,338,265 of long-term debt including limited tax obligation bonds, capital leases and other obligations as summarized below.

YCUA's Outstanding Debt

	<u>2005</u>	<u>2004</u>
Limited tax obligation bonds	\$ 32,644,559	\$ 33,181,992
Capital leases	39,543,706	35,330,226
Environmental liability	<u>1,150,000</u>	<u>1,150,000</u>
Total	<u>\$ 73,338,265</u>	<u>\$ 69,662,218</u>

Additional information on the Authority's long-term debt can be found in Note 3-E on pages 23-27 of this report.

Economic Factors Affecting Next Year's Operations and Rates

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

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

Other factors also affect the Authority's operating plan for fiscal 2006. 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 change significantly from those during fiscal 2005. Inflation in the local labor markets will remain moderate, whereas inflation in Detroit water rates and health care costs will be significant. In response to these factors and prior year operating results, ordinances have been passed to increase water and wastewater rates as previously described.

The Authority's operating budget for fiscal 2006 is approximately \$32 million; key provisions include:

- An increase of roughly 4 percent in operating revenue attributable to rate increases.
- A net increase of 5.0 percent in operating expenses due to escalating costs for purchased water, start-up costs on new portions of the wastewater treatment plant, and health care costs.

The capital budget for fiscal 2006 totals approximately \$23 million due to the large investment in the expansion and rehabilitation at the wastewater treatment plant. 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 in addition to the plant expansion includes:

- Many water and sewer mains within the City and Township have been identified as needing replacement, either because of age or inadequate size. These replacements are being scheduled as time and funds permit. In fiscal 2006, about six miles of water main in the City and Township are scheduled for replacement.

- Sewer improvements include installing by-pass provisions around four pumping stations and the rehabilitation of a manhole in a major interceptor.
- Demolition of the abandoned township division water plant to eliminate liability exposure associated with such structures.

Requests for Information

This financial report is designed to provide a general overview of YCUA's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ypsilanti Community Utilities Authority, Accounting Department, 2777 State Road, Ypsilanti, Michigan 48198.

BASIC FINANCIAL STATEMENTS

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Statements of Net Assets

	August 31,	
	2005	2004
Assets		
Current assets:		
Cash and investments	\$ 13,336,554	\$ 8,755,300
Receivables, net	6,453,383	10,743,825
Inventories	686,918	628,052
Prepaid items	248,765	144,820
Total current assets	20,725,620	20,271,997
Noncurrent assets:		
Restricted assets:		
Cash and investments	12,623,247	18,721,118
Funds on deposit with City of Ypsilanti	2,261,801	2,097,658
Receivables, long-term portion	730,145	847,091
Capital assets not being depreciated	126,028,745	106,115,355
Capital assets being depreciated, net	112,271,107	108,571,402
Unamortized bond issuance costs	794,839	843,140
Total noncurrent assets	254,709,884	237,195,764
Total assets	275,435,504	257,467,761
Liabilities		
Current liabilities:		
Accounts payable	2,752,038	8,250,009
Retentions, deposits and other liabilities	3,120,657	3,648,569
Accrued interest payable	663,424	522,917
Current maturities of long-term liabilities	3,393,859	2,859,121
Current maturities of accrued compensated absences	611,291	556,413
Total current liabilities	10,541,269	15,837,029
Long-term liabilities:		
Bonds payable	31,308,450	32,071,671
Capital leases payable	37,502,735	33,540,782
Environmental liability	350,000	350,000
Accrued compensated absences	611,291	556,415
Total long-term liabilities	69,772,476	66,518,868
Total liabilities	80,313,745	82,355,897
Net assets		
Invested in capital assets, net of related debt	166,894,808	147,015,183
Restricted	14,885,048	20,818,776
Unrestricted	13,341,903	7,277,905
Total net assets	\$ 195,121,759	175,111,864

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

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

	For the Year Ended August 31,	
	2005	2004
Operating revenue		
Water sales	\$ 11,649,244	\$ 9,763,879
Sewage disposal sales	13,701,463	14,274,813
Surcharges and other usage fees:		
Capital improvement surcharge	3,687,092	2,933,164
Construction reserve	391,035	333,539
Environmental reserve	125,324	93,326
Capital cost recovery	257,024	289,917
Other operating revenue	2,159,409	2,408,713
Sales discounts	-	(80,105)
Total operating revenue	<u>31,970,591</u>	<u>30,017,246</u>
Operating expenses		
Water distribution	6,930,845	5,873,120
Wastewater treatment	10,226,090	10,062,008
Wastewater pump stations	834,416	771,991
Industrial surveillance	375,466	174,773
Transmission and distribution	5,766,919	4,938,907
Meter service	1,419,979	1,147,385
Customer accounting and collections	720,370	680,264
General and administration	2,125,010	1,912,661
Total operating expenses	<u>28,399,095</u>	<u>25,561,109</u>
Operating income	<u>3,571,496</u>	<u>4,456,137</u>
Non-operating income (expense)		
Investment earnings	651,753	1,181,681
Connection fees	975,348	2,145,105
Debt service contribution	1,004,525	206,509
Interest and amortization expense	(951,745)	(1,220,577)
Gain (loss) on disposal of capital assets	(75,287)	(1,969,458)
Total non-operating income (expense)	<u>1,604,594</u>	<u>343,260</u>
Net income	5,176,090	4,799,397
Capital contributions	<u>14,833,805</u>	<u>38,985,584</u>
Change in net assets	20,009,895	43,784,981
Net assets, beginning of year	<u>175,111,864</u>	<u>131,326,883</u>
Net assets, end of year	<u>\$ 195,121,759</u>	<u>\$ 175,111,864</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,	
	2005	2004
Cash flows from operating activities		
Receipts from customers and users	\$ 32,904,012	\$ 28,403,934
Payments to suppliers	(18,115,490)	(11,213,349)
Payments to employees and employee benefits	(11,036,090)	(10,187,734)
	3,752,432	7,002,851
Cash flows from capital and related financing activities		
Proceeds from draws of long-term debt	6,685,169	9,278,843
Payment of bond issuance costs	-	(155,622)
Bond reserve funds deposited with the City of Ypsilanti	(164,143)	(327,555)
Acquisition and construction of capital assets	(26,388,357)	(61,246,767)
Proceeds from sale or disposal of capital assets	72,799	-
Principal payments on long-term debt	(3,009,122)	(2,205,842)
Interest payments on long-term debt	(3,099,184)	(3,047,030)
Receipts for debt service costs	1,004,525	206,509
Receipts from capital contributions	17,936,477	34,815,579
Receipts from connection fees	975,348	2,145,105
	(5,986,488)	(20,536,780)
Cash flows from investing activities		
Earnings received on investments	717,439	1,291,769
	(1,516,617)	(12,242,160)
Net increase (decrease) in cash and investments		
Cash and investments, beginning of year	27,476,418	39,718,578
Cash and investments, end of year	\$ 25,959,801	\$ 27,476,418
Reconciliation to statements of net assets		
Cash and investments	\$ 13,336,554	\$ 8,755,300
Restricted cash and investments	12,623,247	18,721,118
Total cash and investments	\$ 25,959,801	\$ 27,476,418

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Statements of Cash Flows (Concluded)

	For the Year Ended August 31,	
	2005	2004
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 3,571,496	\$ 4,456,137
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	5,220,729	4,502,497
Amortization of bond issuance costs, discounts and deferred loss on refunding	105,726	113,150
Changes in current assets and liabilities:		
Receivables	933,421	(1,613,312)
Inventories	(58,866)	(11,539)
Prepaid items	(103,945)	(57,694)
Accounts payable	(5,497,971)	(1,070,153)
Retentions, deposits and other liabilities	(527,912)	736,103
Accrued compensated absences	109,754	(52,338)
	\$ 3,752,432	\$ 7,002,851
Net cash provided by operating activities:	\$ 3,752,432	\$ 7,002,851
 Non-cash items		
Capital contributions from developers	\$ 305,609	\$ 5,156,460

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

NOTES to the FINANCIAL STATEMENTS

YPSILANTI COMMUNITY UTILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting Entity

The accompanying financial statements present the activities of the Ypsilanti Community Utilities Authority (the “Authority”). The Authority has no component units – i.e., separately legal entities for which the Authority is financially accountable – nor is it reported as a component unit of another government.

The Authority was formed on March 19, 1974, when the City of Ypsilanti (the “City”) and Ypsilanti Township (the “Township”) entered into an agreement to create a utility authority pursuant to Public Act 233 of 1955, as amended. The two governments approved the Authority’s Articles of Incorporation on September 3, 1974.

On October 1, 1974, a contract was executed between the Authority and the two governments giving the Authority the responsibility for providing water distribution and wastewater treatment services to residents of the City and Township. This responsibility includes all activities necessary to provide such services including but not limited to: administration, operations, maintenance, financing, debt service, billing and collections. The contract also permits the Authority to expand and improve both the water and wastewater systems.

A five-member board of commissioners governs the Authority. Three of the members are appointed by the Township, the other two are appointed by the City.

In addition to serving residents of the City and Township, the Authority also sells water distribution and wastewater treatment services capacity to neighboring governments under contractual agreements.

1-B. Basis of Presentation / Measurement Focus / Basis of Accounting

The Authority uses a single proprietary or enterprise fund to account for and report its financial activities, which is limited to *business-type activities* – i.e., activities that are financed in whole or in part by fees charged to external parties and are operated in a manner similar to private business where the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Authority follows private-sector standards of accounting and financial reporting issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations, which for the Authority is water distribution and wastewater treatment. Operating expenses include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

1-C. Assets, Liabilities and Equity

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize local governments to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value.

Receivables

Trade receivables are shown net of an allowance for uncollectible non-residential accounts; an allowance is not made for residential accounts since any such delinquencies may be added to the City and/or Township property tax rolls for collection.

The receivable from the Western Townships Utility Authority (WTUA) represents amounts due from that entity for its agreed-upon capital contributions to the Authority's wastewater treatment plant expansion project.

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 or capital lease agreements with the City and/or Township, as well as certain other resources, are classified as restricted assets on the statement of net assets to indicate that their use is limited as stipulated by contract or ordinance.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Capital Assets

Capital assets, which include property, plant and equipment, are recorded at cost. The Authority defines capital assets as: assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Donated capital assets, if any, are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. For the years ending August 31, 2005 and 2004, net interest costs of \$2,287,944 and \$1,909,929, respectively, were capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	40
Water and wastewater system infrastructure	5-50
Vehicles and heavy equipment	5-20
Machinery and equipment	5-20

Compensated Absences

It is the Authority's policy to permit employees to accumulate earned but unused vacation and sick leave pay benefits, subject to certain limitations. All vacation and sick pay are accrued when incurred since 100 percent of the unused benefits are payable upon employee separation from service with the Authority.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

State statutes provide that local units shall adopt budget appropriations for general and special revenue funds (i.e., governmental fund types); as such, the Authority is not required to adopt a budget for State compliance purposes. However, under its contract with the City and Township the Authority is required to prepare an annual operating budget that is subject to review and approval by the Authority Board, as well as the governing boards of the City and Township.

2-B. Rate Setting

Any rate changes, including increases, must be approved by the Authority Board, as well as the governing board of either the City or Township depending on the particular service and service area. That is, the Ypsilanti City Council has the ultimate rate setting responsibility for users located in the City, whereas the Ypsilanti Township Board has the ultimate responsibility for users located in the Township.

NOTE 3 – DETAILED NOTES

3-A. Deposits and Investments

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

	<u>2005</u>	<u>2004</u>
Statement of Net Assets:		
Cash and investments	\$ 13,336,554	\$ 8,755,300
Restricted cash and investments	<u>12,623,247</u>	<u>18,721,118</u>
Total	<u>\$ 25,959,801</u>	<u>\$ 27,476,418</u>
Deposits and Investments:		
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 10,952,829	\$ 8,064,136
Investments in securities and money market accounts	15,005,917	19,411,232
Cash on hand	<u>1,055</u>	<u>1,050</u>
Total	<u>\$ 25,959,801</u>	<u>\$ 27,476,418</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Custodial Credit Risk - Deposits. For deposits, custodial credit risk is the risk, that in the event of a bank failure, the Authority's deposits may not be returned to the government. As of August 31, 2005, \$13,125,773 of the Authority's total bank balance of \$13,725,773 (total book balance was \$10,952,829) was exposed to custodial credit risk as it was uninsured and uncollateralized. As of August 31, 2004, \$7,665,927 of the Authority's total bank balance of \$8,365,927 (total book balance was \$8,064,136) was exposed to custodial credit risk as it was uninsured and uncollateralized.

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

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

	<u>2005</u>	<u>2004</u>
U.S. government agencies	\$ -	\$ 7,679,534
Commercial paper	1,892,546	-
Money market accounts	<u>13,113,371</u>	<u>11,731,698</u>
Total	<u>\$ 15,005,917</u>	<u>\$ 19,411,232</u>

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy requires that investment securities be held in third-party safekeeping by a designated institution and that the safekeeping agent follow the procedure of delivery vs. payment. As of August 31, 2005 and 2004, none of the Authority's investments, excluding the money market accounts, which are not subject to custodial credit risk, were exposed to risk since the securities are held in the Authority's name by the counterparty.

Credit Risk. As of August 31, 2005, \$897,692 and \$994,854 of the Authority's investments in commercial paper were rated A1+ and A1, respectively, by Standard & Poor's. As of August 31, 2004, the Authority's investments in U.S. government securities were rated AAA by Standard & Poor's. The Authority also held investments in money market mutual funds, which are not rated. All of the Authority's investments comply with its policy regarding the types of investments it may hold.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Interest Rate Risk. As of August 31, 2005, maturities of the commercial paper held by the Authority were less than one year. As of August 31, 2004, maturities of the U.S. government securities were one to five years, although the intent was sell those investments, as needed, to provide cash flows for the wastewater plant expansion project.

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

3-B. Receivables

Receivables as of August 31 are summarized as follows:

	<u>2005</u>	<u>2004</u>
Accounts	\$ 5,457,751	\$ 6,259,454
Due from Western Townships Utility Authority	833,674	4,241,955
Accrued investment interest	8,189	73,875
Benefit charges	161,488	200,230
Special assessments	633,124	707,080
Note	<u>89,302</u>	<u>108,322</u>
	7,183,528	11,590,916
Less long-term portion of benefit charges, special assessments and note	<u>(730,145)</u>	<u>(847,091)</u>
	<u>\$ 6,453,383</u>	<u>\$ 10,743,825</u>

The benefit charges are amounts that certain property owners owe the Authority in lieu of special assessments to cover construction costs of water and wastewater line extensions. Such amounts are payable over 30 equal bi-monthly installments plus interest at an annual rate of 7.0%. The special assessments, which represent liens against the applicable properties, mature through December 2024 and are due in equal annual installments plus interest at 5.0% of the outstanding balance. The note receivable, which is due from Willow Run Airport, is unsecured and matures in December 2008 with monthly installments of \$2,613 including interest at 9.5% per annum.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-C. Restricted Assets

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

<u>Description / Reference</u>	<u>2005</u>	<u>2004</u>
Township bond and interest reserve (Ordinance No. 11, section 13; amended by No. 47)	\$ 300,000	\$ 300,000
Township construction reserve surcharge (Ordinance No. 124, sections A(10) and B(9))	1,871,547	1,917,582
City construction reserve surcharge (Ordinance No. 697, section 2.137)	891,731	755,507
City debt retirement and capital improvements surcharge (Ordinance No. 696, amended by Ordinance No. 959)	1,073,697	667,094
Wastewater treatment plant improvement reserve (WTUA wastewater disposal agreement, as amended)	603,694	540,004
EPA replacement reserve (EPA regulatory requirements)	1,934,944	1,641,860
Township environmental reserve surcharge (Ordinance No. 11, section 9; amended by No. 134)	1,708,442	1,550,965
WTUA construction trust account (WTUA wastewater disposal agreement, as amended)	2,703,584	9,745,145
Construction project bond/capital lease proceeds (Bond ordinances)	<u>1,535,608</u>	<u>1,602,961</u>
	<u>\$ 12,623,247</u>	<u>\$ 18,721,118</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-D. Capital Assets

Capital assets activity for the year ended August 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	104,816,651	27,942,891	(8,029,501)	124,730,041
Total capital assets not being depreciated	106,115,355	27,942,891	(8,029,501)	126,028,745
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	61,932,337	4,534,378	(582,450)	65,884,265
Water and wastewater systems	111,394,763	3,896,406	(37,807)	115,253,362
Vehicles	2,440,755	158,511	(14,688)	2,584,578
Equipment	4,000,990	479,225	(299,841)	4,180,374
Total capital assets being depreciated	181,938,768	9,068,520	(934,786)	190,072,502
Less accumulated depreciation for:				
Buildings and improvements	751,711	54,399	-	806,110
Wastewater treatment plant	32,894,785	1,875,552	(539,519)	34,230,818
Water and wastewater systems	36,075,751	2,565,884	(34,656)	38,606,979
Vehicles	1,619,100	168,660	(14,688)	1,773,072
Equipment	2,026,019	556,234	(197,837)	2,384,416
Total accumulated depreciation	73,367,366	5,220,729	(786,700)	77,801,395
Total capital assets being depreciated, net	108,571,402	3,847,791	(148,086)	112,271,107
Total capital assets, net	\$ 214,686,757	\$ 31,790,682	\$ (8,177,587)	\$ 238,299,852

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Capital assets activity for the year ended August 31, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,298,704	\$ -	\$ -	\$ 1,298,704
Construction in progress	49,746,377	55,070,274	-	104,816,651
Total capital assets not being depreciated	51,045,081	55,070,274	-	106,115,355
Capital assets being depreciated:				
Buildings and improvements	2,169,923	-	-	2,169,923
Wastewater treatment plant	66,204,170	95,402	(4,367,235)	61,932,337
Water and wastewater systems	98,786,456	12,624,183	(15,876)	111,394,763
Vehicles	2,473,891	150,585	(183,721)	2,440,755
Equipment	3,716,629	432,242	(147,881)	4,000,990
Total capital assets being depreciated	173,351,069	13,302,412	(4,714,713)	181,938,768
Less accumulated depreciation for:				
Buildings and improvements	697,312	54,399	-	751,711
Wastewater treatment plant	33,480,425	1,828,883	(2,414,523)	32,894,785
Water and wastewater systems	34,094,420	1,997,207	(15,876)	36,075,751
Vehicles	1,640,206	150,565	(171,671)	1,619,100
Equipment	1,697,760	471,443	(143,184)	2,026,019
Total accumulated depreciation	71,610,123	4,502,497	(2,745,254)	73,367,366
Total capital assets being depreciated, net	101,740,946	8,799,915	(1,969,459)	108,571,402
Total capital assets, net	\$ 152,786,027	\$ 63,870,189	\$ (1,969,459)	\$ 214,686,757

The Authority has active construction projects as of August 31, 2005. The primary projects include the expansion and renovation of the wastewater treatment plant, a second water connection to the supplier, and various water distribution system improvements. At year-end, the Authority has spent roughly \$102 million on the plant expansion and second connection; its remaining commitments are approximately \$25 million. These projects are being financed through a combination of bond issues, capital lease agreements (with underlying bond issues generally through the City), and capital contributions from other governments under agreements to lease system capacity.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

3-E. Long-term Debt

Limited tax 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, 2005 was \$35,683,677. During fiscal 2005 and 2004, no new bonds were issued, although the cash draws against the 2003 Drinking Water Revolving Fund bond amounted to \$282,567 and \$2,546,237, respectively, which were the project construction costs incurred during those years. The total amount authorized under this issue is \$3,355,000; accordingly, \$297,497 is still available as of August 31, 2005, and expected to be drawn.

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

	<u>Credit</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2005							
1998 water (DWRf)	Twp	2.50%	\$ 2,782,056	\$ -	\$ (190,000)	\$ 2,592,056	\$ 195,000
1999 water (DWRf)	City	2.50%	795,000	-	(40,000)	755,000	45,000
1999 sewer	Twp	4.90-5.35%	1,250,000	-	(55,000)	1,195,000	60,000
2000 sewer	Twp	5.00-5.10%	2,325,000	-	(85,000)	2,240,000	90,000
2001 sewer	Twp	4.875-5.10%	6,780,000	-	(120,000)	6,660,000	125,000
2002 sewer	Twp	3.00-5.00%	14,625,000	-	(200,000)	14,425,000	230,000
2003 water	Twp	3.00-4.35%	1,850,000	-	-	1,850,000	55,000
2003 water (DWRf)	Twp	2.50%	2,774,936	282,567	(130,000)	2,927,503	135,000
			<u>\$33,181,992</u>	<u>\$ 282,567</u>	<u>\$ (820,000)</u>	<u>\$ 32,644,559</u>	<u>\$ 935,000</u>
2004							
1994B refunding	City	2.75%	\$ 235,000	\$ -	\$ (235,000)	\$ -	\$ -
1998 water (DWRf)	Twp	2.50%	2,782,056	-	-	2,782,056	190,000
1999 water (DWRf)	City	2.50%	795,000	-	-	795,000	40,000
1999 sewer	Twp	4.90-5.35%	1,300,000	-	(50,000)	1,250,000	55,000
2000 sewer	Twp	5.00-5.10%	2,405,000	-	(80,000)	2,325,000	85,000
2001 sewer	Twp	4.875-5.10%	6,895,000	-	(115,000)	6,780,000	120,000
2002 sewer	Twp	3.00-5.00%	14,800,000	-	(175,000)	14,625,000	200,000
2003 water	Twp	3.00-4.35%	1,850,000	-	-	1,850,000	-
2003 water (DWRf)	Twp	2.50%	228,699	2,546,237	-	2,774,936	-
			<u>\$31,290,755</u>	<u>\$ 2,546,237</u>	<u>\$ (655,000)</u>	<u>\$ 33,181,992</u>	<u>\$ 690,000</u>

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

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Because certain principal and interest payments on bonds and capital leases 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 would be shown as payable within one year for those particular issues.

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

<u>Year Ended</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 935,000	\$ 1,407,388
2007	975,000	1,371,603
2008	1,020,000	1,338,539
2009	1,065,000	1,301,055
2010	1,115,000	1,294,851
2011-2015	6,300,000	5,668,549
2016-2020	5,797,056	4,366,800
2021-2025	6,300,000	2,926,201
2026-2030	6,060,000	1,541,030
2031-2032	2,375,000	168,446
	<u>32,942,056</u>	<u>\$21,384,463</u>
Less available draws	<u>297,497</u>	
	<u>\$32,644,559</u>	

Capital leases. The Authority has entered into various agreements, primarily with the City, for the construction and operation of system expansions and improvements, which constitute capital leases under Financial Accounting Standards Board Statements No. 13. With the exception of the building capital lease below (which is an agreement between the Authority and the Township), each lease represents a limited tax obligation or revenue bond issued by the City and for which income derived from the capital assets is pledged to pay debt service. Accordingly, the Authority's obligation to pay principal and interest under each lease is equal to the City's obligation for the related bond. When the debt is retired, title to the related capital asset will vest with the Authority.

The original amount of capital lease obligations entered into in prior years for the issues outstanding as of August 31, 2005 was \$57,043,163. During fiscal 2005, no new capital leases were issued; although cash draws against five previously issued capital leases amounted to \$6,402,602, which was the project construction costs incurred during the year. During fiscal 2004, new leases totaling \$9,030,000 were issued and cash draws of \$6,864,606 were made. The total amount authorized under the five capital leases is \$16,615,000; accordingly, \$864,690 is still available as of August 31, 2005, and expected to be drawn to finance project construction costs.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Capital leases outstanding at August 31 are as follows:

	<u>Credit</u>	<u>Interest Rates</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>2005</u>							
Building	n/a	10.70%	\$ 837,518	\$ -	\$ (134,122)	\$ 703,396	\$ 148,859
1994 sewer	County	5.10%	1,970,000	-	(850,000)	1,120,000	840,000
1999 sewer	County	4.00-4.20%	465,000	-	(130,000)	335,000	155,000
1995 water and sewer	City	5.375%	375,000	-	(375,000)	-	-
2001 water and sewer	City	4.00-6.00%	3,955,000	-	(30,000)	3,925,000	-
2002A water and sewer	City	4.00-5.00%	4,935,000	-	(40,000)	4,895,000	-
2002B water (DWRf)	City	2.50%	460,000	-	(20,000)	440,000	20,000
2002C water and sewer	City	4.00-5.00%	8,280,000	-	(200,000)	8,080,000	-
2003A water and sewer	City	1.20-4.10%	4,705,000	-	(95,000)	4,610,000	-
2003B water and sewer	City	3.50-4.25%	1,356,144	119,895	(25,000)	1,451,039	-
2003C water (DWRf)	City	2.50%	698,370	67,947	(30,000)	736,317	30,000
2003D water (DWRf)	City	2.50%	4,917,130	382,870	(205,000)	5,095,000	210,000
2004A water and sewer	City	3.30-4.55%	816,560	1,061,394	(55,000)	1,822,954	-
2004B water (DWRf)	City	2.125%	1,559,504	4,770,496	-	6,330,000	255,000
			<u>\$35,330,226</u>	<u>\$ 6,402,602</u>	<u>\$ (2,189,122)</u>	<u>\$ 39,543,706</u>	<u>\$ 1,658,859</u>
<u>2004</u>							
Building	n/a	10.70%	\$ 958,360	\$ -	\$ (120,842)	\$ 837,518	\$ 134,121
1994 sewer	County	5.10%	2,825,000	-	(855,000)	1,970,000	850,000
1999 sewer	County	4.00-4.20%	565,000	-	(100,000)	465,000	130,000
1995 water and sewer	City	5.375%	505,000	-	(130,000)	375,000	-
2001 water and sewer	City	4.00-6.00%	3,980,000	-	(25,000)	3,955,000	-
2002A water and sewer	City	4.00-5.00%	4,970,000	-	(35,000)	4,935,000	-
2002B water (DWRf)	City	2.50%	460,000	-	-	460,000	20,000
2002C water and sewer	City	4.00-5.00%	8,470,000	-	(190,000)	8,280,000	-
2003A water and sewer	City	1.20-4.10%	4,800,000	-	(95,000)	4,705,000	-
2003B water and sewer	City	3.50-4.25%	204,444	1,151,700	-	1,356,144	-
2003C water (DWRf)	City	2.50%	95,921	602,449	-	698,370	30,000
2003D water (DWRf)	City	2.50%	2,182,737	2,734,393	-	4,917,130	205,000
2004A water and sewer	City	3.30-4.55%	-	816,560	-	816,560	-
2004B water (DWRf)	City	2.125%	-	1,559,504	-	1,559,504	-
			<u>\$30,016,462</u>	<u>\$ 6,864,606</u>	<u>\$ (1,550,842)</u>	<u>\$ 35,330,226</u>	<u>\$ 1,369,121</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Capital leases debt service requirements to maturity are as follows:

Year Ended August 31,	Principal	Interest
2006	\$ 1,658,859	\$ 983,914
2007	2,015,217	1,456,824
2008	1,623,372	1,379,886
2009	1,695,948	1,313,760
2010	1,535,000	1,251,152
2011-2015	8,490,000	5,478,543
2016-2020	9,000,000	3,945,227
2021-2025	10,250,000	2,070,721
2026-2028	4,140,000	299,659
	<u>40,408,396</u>	<u>\$ 18,179,684</u>
Less available draws	<u>864,690</u>	
	<u>\$ 39,543,706</u>	

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

In fiscal 1995, the named PRP's entered into an agreement to fund the cost of the clean up. Based on this agreement, the Authority recorded a liability totaling \$1,150,000 and agreed that it will: (1) make three annual payments of \$250,000 each beginning in 2002; and (2) pay up to an additional \$500,000 for certain water treatment costs over a period of not more than 30 years with no more than \$50,000 payable in any one year. Through August 31, 2005, two payments of \$50,000 each were made between fiscal 1997 and 1998. Since that time, the Authority has not been invoiced or otherwise instructed to make any payments.

Nevertheless, until the Authority is officially notified of its release from liability, the obligation for this matter will be carried on the financial statements. Of the total liability, \$800,000 is reported as a current liability (i.e., two payments of \$250,000 each and six payments of \$50,000 each) and \$350,000 is reported as long-term.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

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

Lease adjustment. During fiscal 2003, the City completed a partial advance refunding of a bond issue that was the underlying obligation for one of the Authority's capital leases with the City. As a result of this transaction, \$4,060,000 of debt related to the 1995 water and sewer lease was removed from the Authority's financial statements and replaced by the 2003A water and sewer lease in the amount of \$4,800,000. Accordingly, a deferred loss of \$458,534 on the lease adjustment (i.e., the difference between the new lease obligation and the old, net of a bond reserve held by the City in the amount of \$281,466) was recorded by the Authority and is being amortized over the term of the related lease agreement. The unamortized balance as of August 31, 2005 and 2004 was \$382,112 and \$420,323, respectively.

Changes in long-term debt. Following is a summary of long-term debt activity for the year ended August 31, 2005:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Limited tax obligation bonds	\$ 33,181,992	\$ 282,567	\$ (820,000)	\$ 32,644,559	\$ 935,000
Capital leases	35,330,226	6,402,602	(2,189,122)	39,543,706	1,658,859
Environmental liability	1,150,000	-	-	1,150,000	800,000
Compensated absences	1,112,827	1,051,185	(941,430)	1,222,582	611,291
	<u>70,775,045</u>	<u>7,736,354</u>	<u>(3,950,552)</u>	<u>74,560,847</u>	<u>4,005,150</u>
Deduct deferred amounts:					
For issuance discounts	(420,321)	-	19,212	(401,109)	-
For lease adjustment	(420,323)	-	38,211	(382,112)	-
	<u>\$ 69,934,401</u>	<u>\$ 7,736,354</u>	<u>\$ (3,893,129)</u>	<u>\$ 73,777,626</u>	<u>\$ 4,005,150</u>

3-F. Capital Contributions

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

	<u>2005</u>	<u>2004</u>
Western Townships Utility Authority	\$ 14,835,286	\$ 33,789,193
Private developers	305,609	5,156,460
Superior Township	(307,090)	-
Other	-	39,931
	<u>\$ 14,833,805</u>	<u>\$ 38,985,584</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

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

4-B. Contingent Liabilities

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

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

4-C. Postemployment Benefits

The Authority provides certain health care benefits to all full-time employees upon retirement, in accordance with the applicable labor agreements. These benefits are integrated with Medicare to provide benefits comparable to those received at date of retirement for the employee's life. For the year ended August 31, 2005, 56 retirees received benefits at a cost to the Authority of \$792,147; for the prior year, 64 retirees received benefits at a cost to the Authority of \$860,464.

4-D. Defined Benefit Pension Plan

The Authority participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the Retirement Board of MERS. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917, or by calling (800) 767-6377.

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

The Authority is required to contribute at an actuarially determined rate; the current rate is 13.16% of annual covered payroll. The Authority's unionized employees are required to contribute 1.0% of their annual covered payroll to the plan, whereas non-union employees are required to contribute 4.0%. The contribution requirements of the Authority 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, 2005, the Authority's annual pension cost of \$925,863 for MERS was equal to the Authority's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit.

The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The Authority's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2004, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

<u>Annual Years Ended August 31,</u>	<u>Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2003	\$906,741	100%	\$ -
2004	775,472	100	-
2005	925,863	100	-

YPSILANTI COMMUNITY UTILITIES AUTHORITY

Notes to Financial Statements

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) Entry Age</u>	(b-a) <u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio Total</u>	(c) <u>Covered Payroll</u>	((b-a)/c) <u>UAAL as a Percentage of Covered Payroll</u>
12/31/00	\$17,401,215	\$24,096,539	\$6,695,324	72%	\$6,647,962	101%
12/31/01	18,719,673	25,379,376	6,659,703	74%	6,878,141	97%
12/31/02	19,401,776	28,385,781	8,984,005	68%	7,549,584	119%
12/31/03	20,994,213	29,319,302	8,325,089	72%	6,768,365	123%
12/31/04	22,212,469	31,546,256	9,333,787	70%	6,738,337	139%

4-E. Supplementary Schedules and Allocation Methods

The supplementary schedules as listed in the table of contents present financial information of the Authority separated by component or division. For such purposes, the City and Township divisions together comprise the Authority, in aggregate, as is the same for the Water and Wastewater divisions. In certain instances, revenues and expenses are directly attributable to the respective divisions, whereas other revenues and expenses are shared or not directly attributable. For these latter items, the Authority uses a variety of objectively measurable allocation methods to equitably distribute the account balances between the applicable divisions. These methods include metered water and sewage flows, work orders, time and attendance, number of meters and so on.

SUPPLEMENTARY FINANCIAL INFORMATION

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Asset
City and Township Allocation
For the Year Ended August 31, 2005

	<u>City</u>	<u>Township</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 1,813,223	\$ 9,836,021	\$ 11,649,244
Sewage disposal sales	2,899,389	10,802,074	13,701,463
Surcharges and other usage fees:			
Capital improvement surcharge	3,140,164	546,928	3,687,092
Construction reserve	119,195	271,840	391,035
Environmental reserve	-	125,324	125,324
Capital cost recovery	81,714	175,310	257,024
Other operating revenue	475,132	1,684,277	2,159,409
Total operating revenue	<u>8,528,817</u>	<u>23,441,774</u>	<u>31,970,591</u>
Operating expenses			
Water distribution	985,830	5,945,015	6,930,845
Wastewater treatment	2,280,419	7,945,671	10,226,090
Wastewater pump stations	174,512	659,904	834,416
Industrial surveillance	83,730	291,736	375,466
Transmission and distribution	1,174,276	4,592,643	5,766,919
Meter service	334,123	1,085,856	1,419,979
Customer accounting and collections	169,503	550,867	720,370
General and administration	460,812	1,664,198	2,125,010
Total operating expenses	<u>5,663,205</u>	<u>22,735,890</u>	<u>28,399,095</u>
Operating income	<u>2,865,612</u>	<u>705,884</u>	<u>3,571,496</u>
Non-operating income (expense)			
Investment earnings	219,724	432,029	651,753
Connection fees	102,504	872,844	975,348
Debt service contribution	149,273	855,252	1,004,525
Interest and amortization expense	(405,501)	(546,244)	(951,745)
Gain (loss) on disposal of capital assets	-	(75,287)	(75,287)
Non-operating income	<u>66,000</u>	<u>1,538,594</u>	<u>1,604,594</u>
Net income	2,931,612	2,244,478	5,176,090
Capital contributions			
Change in net assets	7,148,954	12,860,941	20,009,895
Net assets, beginning of year	<u>38,796,873</u>	<u>136,314,991</u>	<u>175,111,864</u>
Net assets, end of year	<u>\$ 45,945,827</u>	<u>\$ 149,175,932</u>	<u>\$ 195,121,759</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Schedule of Revenues, Expenses and Changes in Net Asset
Water and Wastewater Allocation
For the Year Ended August 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Operating revenues			
Water sales	\$ 11,649,244	\$ -	\$ 11,649,244
Sewage disposal sales	-	13,701,463	13,701,463
Surcharges and other usage fees:			
Capital improvement surcharge	1,843,546	1,843,546	3,687,092
Construction reserve	219,939	171,096	391,035
Environmental reserve	-	125,324	125,324
Capital cost recovery	-	257,024	257,024
Other operating revenue	162,698	1,996,711	2,159,409
	<u>13,875,427</u>	<u>18,095,164</u>	<u>31,970,591</u>
Operating expenses			
Water distribution	6,930,845	-	6,930,845
Wastewater treatment	-	10,226,090	10,226,090
Wastewater pump stations	-	834,416	834,416
Industrial surveillance	-	375,466	375,466
Transmission and distribution	2,912,284	2,854,635	5,766,919
Meter service	709,988	709,991	1,419,979
Customer accounting and collections	360,185	360,185	720,370
General and administration	925,531	1,199,479	2,125,010
	<u>11,838,833</u>	<u>16,560,262</u>	<u>28,399,095</u>
Total operating expenses	<u>11,838,833</u>	<u>16,560,262</u>	<u>28,399,095</u>
Operating income	<u>2,036,594</u>	<u>1,534,902</u>	<u>3,571,496</u>
Non-operating income (expense)			
Investment earnings	158,675	493,078	651,753
Connection fees	487,675	487,673	975,348
Debt service contribution	-	1,004,525	1,004,525
Interest and amortization expense	(305,571)	(646,174)	(951,745)
Gain (loss) on disposal of capital assets	(8,373)	(66,914)	(75,287)
	<u>332,406</u>	<u>1,272,188</u>	<u>1,604,594</u>
Non-operating income	<u>332,406</u>	<u>1,272,188</u>	<u>1,604,594</u>
Net income	2,369,000	2,807,090	5,176,090
Capital contributions			
	<u>-</u>	<u>14,833,805</u>	<u>14,833,805</u>
Change in net assets	<u>\$ 2,369,000</u>	<u>\$ 17,640,895</u>	<u>\$ 20,009,895</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY

**Schedule of Revenues and Expense:
Water and Wastewater Allocation by Member
For the Year Ended August 31, 2005**

	City		
	Water	Wastewater	Total
Operating revenues			
Water sales	\$ 1,813,223	\$ -	\$ 1,813,223
Sewage disposal sales	-	2,899,389	2,899,389
Surcharges and other usage fees:			
Capital improvement surcharge	1,570,082	1,570,082	3,140,164
Construction reserve	62,027	57,168	119,195
Environmental reserve	-	-	-
Capital cost recovery	-	81,714	81,714
Other operating revenue	36,853	438,279	475,132
Total operating revenue	3,482,185	5,046,632	8,528,817
Operating expenses			
Water distribution	985,830	-	985,830
Wastewater treatment	-	2,280,419	2,280,419
Wastewater pump stations	-	174,512	174,512
Industrial surveillance	-	83,730	83,730
Transmission and distribution	784,438	389,838	1,174,276
Meter service	167,059	167,064	334,123
Customer accounting and collections	84,750	84,753	169,503
General and administration	201,580	259,232	460,812
Total operating expenses	2,223,657	3,439,548	5,663,205
Operating income (expense)	1,258,528	1,607,084	2,865,612
Non-operating income (expense)			
Investment earnings	75,284	144,440	219,724
Connection fees	51,252	51,252	102,504
Debt service contribution	-	149,273	149,273
Interest and amortization expense	(207,327)	(198,174)	(405,501)
Gain (loss) on disposal of capital assets	(1,174)	1,174	-
Non-operating income (expense)	(81,965)	147,965	66,000
Net income (loss)	1,176,563	1,755,049	2,931,612
Capital contributions	-	4,217,342	4,217,342
Change in net assets	\$ 1,176,563	\$ 5,972,391	\$ 7,148,954

	Township		
Water	Wastewater	Total	Total
\$ 9,836,021	\$ -	\$ 9,836,021	\$ 11,649,244
-	10,802,074	10,802,074	13,701,463
273,464	273,464	546,928	3,687,092
157,912	113,928	271,840	391,035
-	125,324	125,324	125,324
-	175,310	175,310	257,024
125,845	1,558,432	1,684,277	2,159,409
<u>10,393,242</u>	<u>13,048,532</u>	<u>23,441,774</u>	<u>31,970,591</u>
5,945,015	-	5,945,015	6,930,845
-	7,945,671	7,945,671	10,226,090
-	659,904	659,904	834,416
-	291,736	291,736	375,466
2,127,846	2,464,797	4,592,643	5,766,919
542,929	542,927	1,085,856	1,419,979
275,435	275,432	550,867	720,370
723,951	940,247	1,664,198	2,125,010
<u>9,615,176</u>	<u>13,120,714</u>	<u>22,735,890</u>	<u>28,399,095</u>
<u>778,066</u>	<u>(72,182)</u>	<u>705,884</u>	<u>3,571,496</u>
83,390	348,639	432,029	651,753
436,423	436,421	872,844	975,348
-	855,252	855,252	1,004,525
(98,244)	(448,000)	(546,244)	(951,745)
<u>(7,199)</u>	<u>(68,088)</u>	<u>(75,287)</u>	<u>(75,287)</u>
<u>414,370</u>	<u>1,124,224</u>	<u>1,538,594</u>	<u>1,604,594</u>
1,192,436	1,052,042	2,244,478	5,176,090
-	10,616,463	10,616,463	14,833,805
<u>\$ 1,192,436</u>	<u>\$ 11,668,505</u>	<u>\$ 12,860,941</u>	<u>\$ 20,009,895</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
City and Township Allocation
For the Year Ended August 31, 2005

	<u>City</u>	<u>Township</u>	<u>Total</u>
Water distribution			
Wages	\$ 53,683	\$ 315,271	\$ 368,954
Benefits allocation	30,631	179,889	210,520
Purchased water	859,695	5,048,860	5,908,555
Utilities	5,852	187,784	193,636
Maintenance and supplies	8,947	52,552	61,499
Engineering	697	6,058	6,755
Depreciation	4,616	27,107	31,723
Other	4,077	23,941	28,018
Fleet allocation	2,365	13,890	16,255
Maintenance allocation	15,267	89,663	104,930
	<u>985,830</u>	<u>5,945,015</u>	<u>6,930,845</u>
Wastewater treatment			
Wages	358,890	1,250,480	1,609,370
Benefits allocation	204,777	713,506	918,283
Utilities	364,180	1,268,910	1,633,090
Sludge removal	89,547	312,009	401,556
Maintenance	94,754	330,153	424,907
Engineering	8,011	27,910	35,921
Laboratory	6,084	21,199	27,283
Chemicals	83,385	290,540	373,925
Depreciation	471,815	1,643,945	2,115,760
Other	1,535	5,352	6,887
Fleet allocation	57,981	202,024	260,005
Maintenance allocation	437,484	1,524,328	1,961,812
Laboratory allocation	101,976	355,315	457,291
	<u>2,280,419</u>	<u>7,945,671</u>	<u>10,226,090</u>
Wastewater pump stations			
Wages	33,723	117,500	151,223
Benefits allocation	19,242	67,044	86,286
Utilities	90,246	366,300	456,546
Maintenance and supplies	30,652	106,799	137,451
Engineering	-	-	-
Depreciation	647	2,253	2,900
Other	2	8	10
	<u>174,512</u>	<u>659,904</u>	<u>834,416</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2005

	<u>City</u>	<u>Township</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ 48,195	\$ 167,928	\$ 216,123
Benefits allocation	27,500	95,816	123,316
Depreciation	459	1,598	2,057
Other	5,164	17,992	23,156
Fleet allocation	2,412	8,402	10,814
	<u>83,730</u>	<u>291,736</u>	<u>375,466</u>
Transmission and distribution			
Wages	264,347	1,200,182	1,464,529
Benefits allocation	150,833	684,806	835,639
Utilities	10,369	47,072	57,441
Sewer overflow settlements	19,310	73,969	93,279
Maintenance:			
Shop and office	8,887	40,351	49,238
Water and sewer mains	84,255	253,863	338,118
Engineering	7,261	156,303	163,564
Depreciation	567,571	1,856,547	2,424,118
Other	416	2,480	2,896
Fleet allocation	50,847	230,853	281,700
Maintenance allocation	10,180	46,217	56,397
	<u>1,174,276</u>	<u>4,592,643</u>	<u>5,766,919</u>
Meter service			
Wages	104,068	338,208	442,276
Benefits allocation	59,379	192,977	252,356
Utilities	4,797	15,588	20,385
Maintenance and supplies	2,151	6,992	9,143
Meter parts	64,801	210,593	275,394
Depreciation	80,448	261,447	341,895
Other	482	1,564	2,046
Fleet allocation	17,997	58,487	76,484
	<u>334,123</u>	<u>1,085,856</u>	<u>1,419,979</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2005

	<u>City</u>	<u>Township</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 82,487	\$ 268,074	\$ 350,561
Benefits allocation	47,066	152,959	200,025
Utilities	7,638	24,823	32,461
Maintenance and supplies	11,708	38,049	49,757
Postage	11,532	37,476	49,008
Depreciation	8,797	28,591	37,388
Other	275	895	1,170
	<u>169,503</u>	<u>550,867</u>	<u>720,370</u>
General and administrative			
Wages	77,668	270,620	348,288
Benefits allocation	44,316	154,412	198,728
Maintenance and supplies	5,587	19,465	25,052
Engineering	2,732	35,232	37,964
Building and liability insurance	70,664	246,217	316,881
Legal and settlements	20,979	44,720	65,699
Other professional services	-	-	-
Depreciation	6,233	21,717	27,950
Other	3,097	41,323	44,420
Bad debt expense	12,197	40,926	53,123
Fleet allocation	6,036	21,032	27,068
Maintenance allocation	5,937	20,687	26,624
Human resource allocation	120,486	452,159	572,645
Accounting allocation	84,880	295,688	380,568
	<u>460,812</u>	<u>1,664,198</u>	<u>2,125,010</u>
Fleet			
Wages	31,611	122,815	154,426
Benefits allocation	18,037	70,076	88,113
Radio maintenance	2,278	8,853	11,131
Maintenance parts and supplies	17,404	67,618	85,022
Gas, oil and grease	19,229	74,710	93,939
Insurance	13,067	50,767	63,834
Depreciation	34,524	134,135	168,659
Other	1,341	5,209	6,550
Allocated to various departments	(137,491)	(534,183)	(671,674)
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
City and Township Allocation
For the Year Ended August 31, 2005

	<u>City</u>	<u>Township</u>	<u>Total</u>
Human resources			
Wages	\$ 46,633	\$ 175,005	\$ 221,638
Benefits allocation	26,608	99,855	126,463
Safety program	260	974	1,234
Travel and training	3,238	12,153	15,391
Legal and professional	11,084	41,595	52,679
Physicals	2,381	8,933	11,314
Office supplies	3,828	14,365	18,193
Depreciation	5,688	21,347	27,035
Other	20,766	77,932	98,698
Allocated to general and administrative	(120,486)	(452,159)	(572,645)
	-	-	-
Benefits and payroll taxes			
Health insurance	469,671	1,762,606	2,232,277
Life insurance	3,810	14,297	18,107
Disability insurance	12,992	48,756	61,748
Social security	113,143	424,611	537,754
Workers compensation	27,171	101,968	129,139
Pension contribution	202,810	761,116	963,926
Unemployment	10,146	38,074	48,220
Uniforms	3,545	13,304	16,849
Allocated to various departments	(843,288)	(3,164,732)	(4,008,020)
	-	-	-
Maintenance			
Wages	296,002	1,039,747	1,335,749
Benefits allocation	168,894	593,265	762,159
Office and supplies	8,681	30,497	39,178
Depreciation	2,565	9,011	11,576
Other	244	856	1,100
Allocated to various departments	(476,386)	(1,673,376)	(2,149,762)
	-	-	-
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
City and Township Allocation
For the Year Ended August 31, 2005

	<u>City</u>	<u>Township</u>	<u>Total</u>
Laboratory			
Wages	\$ 56,300	\$ 196,167	\$ 252,467
Benefits allocation	32,124	111,930	144,054
Maintenance and supplies	6,173	21,509	27,682
Contractual services	3,281	11,433	14,714
Depreciation	4,098	14,276	18,374
Allocated to wastewater treatment	(101,976)	(355,315)	(457,291)
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	24,261	84,532	108,793
Benefits allocation	13,843	48,233	62,076
Office supplies	1,467	5,111	6,578
Audit and accounting services	37,068	129,154	166,222
Depreciation	2,519	8,775	11,294
Other	5,722	19,883	25,605
Allocated to general and administrative	(84,880)	(295,688)	(380,568)
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 5,663,205</u>	<u>\$ 22,735,890</u>	<u>\$ 28,399,095</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses
Water and Wastewater Allocation
For the Year Ended August 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Water distribution			
Wages	\$ 368,954	\$ -	\$ 368,954
Benefits allocation	210,520	-	210,520
Purchased water	5,908,555	-	5,908,555
Utilities	193,636	-	193,636
Maintenance and supplies	61,499	-	61,499
Engineering	6,755	-	6,755
Depreciation	31,723	-	31,723
Other	28,018	-	28,018
Fleet allocation	16,255	-	16,255
Maintenance allocation	104,930	-	104,930
	<u>6,930,845</u>	<u>-</u>	<u>6,930,845</u>
Wastewater treatment			
Wages	-	1,609,370	1,609,370
Benefits allocation	-	918,283	918,283
Utilities	-	1,633,090	1,633,090
Sludge removal	-	401,556	401,556
Maintenance	-	424,907	424,907
Engineering	-	35,921	35,921
Laboratory	-	27,283	27,283
Chemicals	-	373,925	373,925
Depreciation	-	2,115,760	2,115,760
Other	-	6,887	6,887
Fleet allocation	-	260,005	260,005
Maintenance allocation	-	1,961,812	1,961,812
Laboratory allocation	-	457,291	457,291
	<u>-</u>	<u>10,226,090</u>	<u>10,226,090</u>
Wastewater pump stations			
Wages	-	151,223	151,223
Benefits allocation	-	86,286	86,286
Utilities	-	456,546	456,546
Maintenance and supplies	-	137,451	137,451
Engineering	-	-	-
Depreciation	-	2,900	2,900
Other	-	10	10
	<u>-</u>	<u>834,416</u>	<u>834,416</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Industrial surveillance			
Wages	\$ -	\$ 216,123	\$ 216,123
Benefits allocation	-	123,316	123,316
Depreciation	-	2,057	2,057
Other	-	23,156	23,156
Fleet allocation	-	10,814	10,814
	<u>-</u>	<u>375,466</u>	<u>375,466</u>
Transmission and distribution			
Wages	637,363	827,166	1,464,529
Benefits allocation	363,670	471,969	835,639
Utilities	24,999	32,442	57,441
Sewer overflow settlements	40,498	52,781	93,279
Maintenance:			
Shop and office	21,428	27,810	49,238
Water and sewer mains	146,249	191,869	338,118
Engineering	17,506	146,058	163,564
Depreciation	1,512,167	911,951	2,424,118
Other	1,264	1,632	2,896
Fleet allocation	122,596	159,104	281,700
Maintenance allocation	24,544	31,853	56,397
	<u>2,912,284</u>	<u>2,854,635</u>	<u>5,766,919</u>
Meter service			
Wages	221,138	221,138	442,276
Benefits allocation	126,178	126,178	252,356
Utilities	10,192	10,193	20,385
Maintenance and supplies	4,571	4,572	9,143
Meter parts	137,696	137,698	275,394
Depreciation	170,948	170,947	341,895
Other	1,023	1,023	2,046
Fleet allocation	38,242	38,242	76,484
	<u>709,988</u>	<u>709,991</u>	<u>1,419,979</u>
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Customer accounting and collections			
Wages	\$ 175,281	\$ 175,280	\$ 350,561
Benefits allocation	100,013	100,012	200,025
Utilities	16,230	16,231	32,461
Maintenance and supplies	24,878	24,879	49,757
Postage	24,504	24,504	49,008
Depreciation	18,694	18,694	37,388
Other	585	585	1,170
	<u>360,185</u>	<u>360,185</u>	<u>720,370</u>
General and administrative			
Wages	174,144	174,144	348,288
Benefits allocation	99,364	99,364	198,728
Maintenance and supplies	12,526	12,526	25,052
Engineering	18,982	18,982	37,964
Building and liability insurance	158,441	158,440	316,881
Legal and settlements	32,849	32,850	65,699
Other professional services	-	-	-
Depreciation	13,975	13,975	27,950
Other	22,210	22,210	44,420
Bad debt expense	26,561	26,562	53,123
Fleet allocation	13,534	13,534	27,068
Maintenance allocation	13,312	13,312	26,624
Human resource allocation	149,347	423,298	572,645
Accounting allocation	190,286	190,282	380,568
	<u>925,531</u>	<u>1,199,479</u>	<u>2,125,010</u>
Fleet			
Wages	43,749	110,677	154,426
Benefits allocation	24,962	63,151	88,113
Radio maintenance	3,153	7,978	11,131
Maintenance parts and supplies	24,087	60,935	85,022
Gas, oil and grease	26,613	67,326	93,939
Insurance	18,084	45,750	63,834
Depreciation	47,781	120,878	168,659
Other	1,856	4,694	6,550
Allocated to various departments	<u>(190,285)</u>	<u>(481,389)</u>	<u>(671,674)</u>
	<u>-</u>	<u>-</u>	<u>-</u>

Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Continued)
Water and Wastewater Allocation
For the Year Ended August 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Human resources			
Wages	\$ 57,803	\$ 163,835	\$ 221,638
Benefits allocation	32,982	93,481	126,463
Safety program	322	912	1,234
Travel and training	4,014	11,377	15,391
Legal and professional	13,739	38,940	52,679
Physicals	2,951	8,363	11,314
Office supplies	4,745	13,448	18,193
Depreciation	7,051	19,984	27,035
Other	25,740	72,958	98,698
Allocated to general and administrative	<u>(149,347)</u>	<u>(423,298)</u>	<u>(572,645)</u>
	-	-	-
Benefits and payroll taxes			
Health insurance	582,178	1,650,099	2,232,277
Life insurance	4,722	13,385	18,107
Disability insurance	16,104	45,644	61,748
Social security	140,246	397,508	537,754
Workers compensation	33,679	95,460	129,139
Pension contribution	251,392	712,534	963,926
Unemployment	12,576	35,644	48,220
Uniforms	4,394	12,455	16,849
Allocated to various departments	<u>(1,045,291)</u>	<u>(2,962,729)</u>	<u>(4,008,020)</u>
	-	-	-
Maintenance			
Wages	88,961	1,246,788	1,335,749
Benefits allocation	50,760	711,399	762,159
Office and supplies	2,608	36,570	39,178
Depreciation	771	10,805	11,576
Other	73	1,027	1,100
Allocated to various departments	<u>(143,173)</u>	<u>(2,006,589)</u>	<u>(2,149,762)</u>
	-	-	-
			Continued...

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses (Concluded)
Water and Wastewater Allocation
For the Year Ended August 31, 2005

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Laboratory			
Wages	\$ -	\$ 252,467	\$ 252,467
Benefits allocation	-	144,054	144,054
Maintenance and supplies	-	27,682	27,682
Contractual services	-	14,714	14,714
Depreciation	-	18,374	18,374
Allocated to wastewater treatment	-	(457,291)	(457,291)
	<u>-</u>	<u>-</u>	<u>-</u>
Accounting			
Wages	54,397	54,396	108,793
Benefits allocation	31,038	31,038	62,076
Office supplies	3,290	3,288	6,578
Audit and accounting services	83,111	83,111	166,222
Depreciation	5,647	5,647	11,294
Other	12,803	12,802	25,605
Allocated to general and administrative	(190,286)	(190,282)	(380,568)
	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 11,838,833</u>	<u>\$ 16,560,262</u>	<u>\$ 28,399,095</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses -
Budget and Actual
For the Year Ended August 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Water distribution				
Wages	\$ 390,285	\$ 390,285	\$ 368,954	\$ (21,331)
Benefits allocation	204,435	204,435	210,520	6,085
Purchased water	5,139,421	5,139,421	5,908,555	769,134
Utilities	159,604	159,604	193,636	34,032
Maintenance and supplies	34,524	34,524	61,499	26,975
Engineering	32,403	32,403	6,755	(25,648)
Depreciation	8,240	8,240	31,723	23,483
Other	32,132	32,699	28,018	(4,681)
Fleet allocation	10,606	10,606	16,255	5,649
Maintenance allocation	92,045	92,045	104,930	12,885
	<u>6,103,695</u>	<u>6,104,262</u>	<u>6,930,845</u>	<u>826,583</u>
Wastewater treatment				
Wages	1,740,509	1,740,509	1,609,370	(131,139)
Benefits allocation	911,695	911,695	918,283	6,588
Utilities	1,415,785	1,415,785	1,633,090	217,305
Sludge removal	665,500	665,500	401,556	(263,944)
Maintenance	679,726	679,726	424,907	(254,819)
Engineering	252,000	252,000	35,921	(216,079)
Laboratory	9,500	9,500	27,283	17,783
Chemicals	398,630	398,630	373,925	(24,705)
Depreciation	2,238,500	2,238,500	2,115,760	(122,740)
Other	16,888	24,778	6,887	(17,891)
Fleet allocation	254,663	254,663	260,005	5,342
Maintenance allocation	1,970,053	1,970,053	1,961,812	(8,241)
Laboratory allocation	435,699	435,699	457,291	21,592
	<u>10,989,148</u>	<u>10,997,038</u>	<u>10,226,090</u>	<u>(770,948)</u>
Wastewater pump stations				
Wages	291,674	291,674	151,223	(140,451)
Benefits allocation	152,782	152,782	86,286	(66,496)
Utilities	484,364	484,364	456,546	(27,818)
Maintenance and supplies	102,500	102,500	137,451	34,951
Engineering	30,000	30,000	-	(30,000)
Depreciation	2,334	2,334	2,900	566
Other	405	405	10	(395)
	<u>1,064,059</u>	<u>1,064,059</u>	<u>834,416</u>	<u>(229,643)</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Industrial surveillance				
Wages	\$ 190,130	\$ 190,130	\$ 216,123	\$ 25,993
Benefits allocation	99,592	99,592	123,316	23,724
Depreciation	212	212	2,057	1,845
Other	32,750	33,317	23,156	(10,161)
Fleet allocation	10,606	10,606	10,814	208
	<u>333,290</u>	<u>333,857</u>	<u>375,466</u>	<u>41,609</u>
Transmission and distribution				
Wages	1,608,415	1,608,415	1,464,529	(143,886)
Benefits allocation	842,503	842,503	835,639	(6,864)
Utilities	87,259	73,936	57,441	(16,495)
Sewer overflow settlements	95,000	95,000	93,279	(1,721)
Maintenance:				
Shop and office	17,500	17,500	49,238	31,738
Water and sewer mains	292,683	292,683	338,118	45,435
Engineering	-	-	163,564	163,564
Depreciation	1,613,631	1,613,631	2,424,118	810,487
Other	6,230	6,230	2,896	(3,334)
Fleet allocation	275,875	275,875	281,700	5,825
Maintenance allocation	15,935	15,935	56,397	40,462
	<u>4,855,031</u>	<u>4,841,708</u>	<u>5,766,919</u>	<u>925,211</u>
Meter service				
Wages	404,193	404,193	442,276	38,083
Benefits allocation	211,720	211,720	252,356	40,636
Utilities	12,311	12,311	20,385	8,074
Maintenance and supplies	9,059	9,059	9,143	84
Meter parts	210,000	210,000	275,394	65,394
Depreciation	9,548	9,548	341,895	332,347
Other	5,074	19,088	2,046	(17,042)
Fleet allocation	53,029	53,029	76,484	23,455
	<u>914,934</u>	<u>928,948</u>	<u>1,419,979</u>	<u>491,031</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Customer accounting/collections				
Wages	\$ 377,795	\$ 377,795	\$ 350,561	\$ (27,234)
Benefits allocation	197,893	197,893	200,025	2,132
Utilities	19,065	19,065	32,461	13,396
Maintenance and supplies	20,356	20,356	49,757	29,401
Postage	50,000	50,000	49,008	(992)
Depreciation	12,731	12,731	37,388	24,657
Other	900	900	1,170	270
	<u>678,740</u>	<u>678,740</u>	<u>720,370</u>	<u>41,630</u>
General and administrative				
Wages	372,996	372,996	348,288	(24,708)
Benefits allocation	195,379	195,379	198,728	3,349
Maintenance and supplies	75,682	75,682	25,052	(50,630)
Building and liability insurance	302,239	302,239	316,881	14,642
Legal and settlements	122,169	122,169	65,699	(56,470)
Other professional services	1,000	1,000	-	(1,000)
Engineering	5,125	5,125	37,964	32,839
Depreciation	26,523	26,523	27,950	1,427
Other	49,600	39,877	44,420	4,543
Bad debt expense	8,555	8,555	53,123	44,568
Fleet allocation	26,514	26,514	27,068	554
Maintenance allocation	18,661	18,661	26,624	7,963
Human resource allocation	456,367	456,367	572,645	116,278
Accounting allocation	341,995	341,995	380,568	38,573
	<u>2,002,805</u>	<u>1,993,082</u>	<u>2,125,010</u>	<u>131,928</u>
Fleet				
Wages	153,575	153,575	154,426	851
Benefits allocation	80,444	80,444	88,113	7,669
Radio maintenance	3,977	3,977	11,131	7,154
Maintenance parts and supplies	106,780	106,780	85,022	(21,758)
Gas, oil and grease	65,000	65,000	93,939	28,939
Insurance	40,000	40,000	63,834	23,834
Depreciation	175,049	175,049	168,659	(6,390)
Other	6,467	6,467	6,550	83
Allocated to various departments	(631,292)	(631,292)	(671,674)	(40,382)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Continued)
Budget and Actual
For the Year Ended August 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Human resources				
Wages	\$ 210,956	\$ 210,956	\$ 221,638	\$ 10,682
Benefits allocation	110,501	110,501	126,463	15,962
Safety program	5,000	5,000	1,234	(3,766)
Travel and training	17,500	17,500	15,391	(2,109)
Legal and professional	19,000	19,000	52,679	33,679
Physicals	15,000	15,000	11,314	(3,686)
Office supplies	2,000	2,000	18,193	16,193
Depreciation	637	637	27,035	26,398
Other	75,773	75,773	98,698	22,925
Allocated to general and administrative	(456,367)	(456,367)	(572,645)	(116,278)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Benefits and payroll taxes				
Health insurance	2,034,007	2,034,007	2,232,277	198,270
Life insurance	16,972	16,972	18,107	1,135
Disability insurance	75,335	75,335	61,748	(13,587)
Social security	642,098	642,098	537,754	(104,344)
Workers compensation	129,669	129,669	129,139	(530)
Pension contribution	968,771	968,771	963,926	(4,845)
Unemployment	7,059	7,059	48,220	41,161
Uniforms	20,625	20,625	16,849	(3,776)
Allocated to various departments	(3,894,536)	(3,894,536)	(4,008,020)	(113,484)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Maintenance				
Wages	1,337,791	1,337,791	1,335,749	(2,042)
Benefits allocation	700,748	700,748	762,159	61,411
Office and supplies	45,050	45,050	39,178	(5,872)
Depreciation	9,442	9,442	11,576	2,134
Other	3,662	3,662	1,100	(2,562)
Allocated to various departments	(2,096,693)	(2,096,693)	(2,149,762)	(53,069)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

YPSILANTI COMMUNITY UTILITIES AUTHORITY
Detailed Schedule of Operating Expenses - (Concluded)
Budget and Actual
For the Year Ended August 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Laboratory				
Wages	\$ 249,558	\$ 249,558	\$ 252,467	\$ 2,909
Benefits allocation	130,721	130,721	144,054	13,333
Maintenance and supplies	28,250	28,250	27,682	(568)
Contractual services	15,500	15,500	14,714	(786)
Depreciation	11,670	11,670	18,374	6,704
Allocated to wastewater treatment	(435,699)	(435,699)	(457,291)	(21,592)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Accounting				
Wages	107,144	107,144	108,793	1,649
Benefits allocation	56,123	56,123	62,076	5,953
Office supplies	4,250	4,250	6,578	2,328
Audit and accounting services	152,000	152,000	166,222	14,222
Depreciation	2,228	2,228	11,294	9,066
Other	20,250	20,250	25,605	5,355
Allocated to general and administrative	(341,995)	(341,995)	(380,568)	(38,573)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>\$ 26,941,702</u>	<u>\$ 26,941,694</u>	<u>\$ 28,399,095</u>	<u>\$ 1,457,401</u>

STATISTICAL SECTION

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenue				
Water sales	\$ 11,649,244	\$ 9,763,879	\$ 8,616,377	\$ 8,039,879
Sewage disposal sales	13,701,463	14,274,813	13,235,087	12,908,599
Surcharges and other usage fees	4,460,475	3,649,946	2,503,637	1,891,240
Other operating revenue	2,159,409	2,408,713	2,248,813	2,380,576
Sales discounts	-	(80,105)	(705,985)	(866,723)
Total operating revenue	<u>31,970,591</u>	<u>30,017,246</u>	<u>25,897,929</u>	<u>24,353,571</u>
Operating expenses				
Water distribution	6,930,845	5,873,120	5,282,942	4,894,966
Wastewater treatment	10,226,090	10,062,008	10,882,313	9,085,357
Wastewater pump stations	834,416	771,991	805,890	928,166
Industrial surveillance	375,466	174,773	146,967	118,270
Transmission and distribution	5,766,919	4,938,907	5,049,571	3,665,838
Meter service	1,419,979	1,147,385	1,121,564	845,806
Customer accounting and collections	720,370	680,264	651,361	523,708
General and administration	(1) 2,125,010	1,912,661	1,832,080	4,269,158
Depreciation	(2) -	-	-	-
Total operating expenses	<u>28,399,095</u>	<u>25,561,109</u>	<u>25,772,688</u>	<u>24,331,269</u>
Operating income (loss)	<u>3,571,496</u>	<u>4,456,137</u>	<u>125,241</u>	<u>22,302</u>
Non-operating income (expense)				
Investment earnings	651,753	1,181,681	21,493	1,034,719
Connection fees	(3) 975,348	2,145,105	1,066,491	-
Debt service contributions	1,004,525	206,509	211,511	920,478
Interest and amortization expense	(951,745)	(1,220,577)	(1,023,113)	(1,709,110)
Gain (loss) on disposal of capital assets	(75,287)	(1,969,458)	(2,833)	(66,461)
Debt service transfer to County	(4) -	-	-	(1,214,715)
Total non-operating income (expense)	<u>1,604,594</u>	<u>343,260</u>	<u>273,549</u>	<u>(1,035,089)</u>
Net income (loss)	<u>\$ 5,176,090</u>	<u>\$ 4,799,397</u>	<u>\$ 398,790</u>	<u>\$ (1,012,787)</u>

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

(2) Beginning in fiscal 2001, depreciation expense is allocated to departments.

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

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

Table 1

	2001	2000	1999	1998	1997	1996
\$	7,910,860	\$ 7,456,993	\$ 7,024,206	\$ 6,787,909	\$ 6,600,444	\$ 7,012,219
	13,793,007	13,392,790	12,107,280	12,133,249	11,717,239	11,332,137
	1,728,426	1,748,046	1,730,655	1,632,408	1,687,246	1,687,527
	2,293,530	977,080	1,041,594	1,164,952	934,444	1,215,530
	(1,098,363)	(1,006,785)	(1,020,273)	(978,899)	(1,014,850)	(1,028,750)
	24,627,460	22,568,124	20,883,462	20,739,619	19,924,523	20,218,663
	4,288,716	3,988,979	3,923,990	3,578,449	3,670,779	4,254,275
	8,989,004	6,934,835	6,015,882	6,307,108	5,987,307	5,205,660
	822,901	836,632	799,666	862,732	801,517	866,759
	87,466	75,711	74,010	69,642	70,975	111,780
	3,616,432	2,064,652	2,232,299	1,750,828	1,406,236	1,477,941
	979,284	907,026	815,483	840,605	627,080	431,748
	453,677	445,768	368,651	366,087	287,197	236,089
	4,038,730	3,469,454	3,044,439	2,935,376	2,517,277	2,817,394
	-	3,861,969	3,652,293	3,442,560	3,275,956	3,190,432
	23,276,210	22,585,026	20,926,713	20,153,387	18,644,324	18,592,078
	1,351,250	(16,902)	(43,251)	586,232	1,280,199	1,626,585
	1,231,283	718,175	600,279	725,675	714,319	749,061
	-	-	-	-	-	-
	220,957	269,970	253,615	689,353	254,792	313,190
	(1,054,325)	(766,721)	(622,178)	(678,995)	(725,266)	(744,837)
	(465,007)	(32,884)	18,041	11,801	(86,206)	(11,102)
	(1,218,710)	(1,226,413)	(1,214,461)	(1,203,847)	(1,191,971)	(1,205,200)
	(1,285,802)	(1,037,873)	(964,704)	(456,013)	(1,034,332)	(898,888)
\$	65,448	\$ (1,054,775)	\$ (1,007,955)	\$ 130,219	\$ 245,867	\$ 727,697

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenue				
Water sales	\$ 1,813,223	\$ 1,898,864	\$ 1,875,979	\$ 1,844,292
Sewage disposal sales	2,899,389	3,057,411	3,155,582	3,155,163
Surcharges and other usage fees	3,341,073	2,609,737	1,777,612	1,362,058
Other operating revenue	475,132	433,067	380,495	463,168
Sales discounts	-	2,336	(126,303)	(153,336)
Total operating revenue	<u>8,528,817</u>	<u>8,001,415</u>	<u>7,063,365</u>	<u>6,671,345</u>
Operating expenses				
Water distribution	985,830	939,023	926,213	898,123
Wastewater treatment	2,280,419	2,253,203	2,510,603	2,258,154
Wastewater pump stations	174,512	167,913	160,684	215,444
Industrial surveillance	83,730	38,824	33,173	28,844
Transmission and distribution	1,174,276	1,104,675	1,416,512	843,346
Meter service	334,123	284,106	284,344	218,046
Customer accounting and collections	169,503	169,654	167,210	138,154
General and administration (1)	460,812	402,537	440,901	1,111,971
Depreciation (2)	-	-	-	-
Total operating expenses	<u>5,663,205</u>	<u>5,359,935</u>	<u>5,939,640</u>	<u>5,712,082</u>
Operating income (loss)	<u>2,865,612</u>	<u>2,641,480</u>	<u>1,123,725</u>	<u>959,263</u>
Non-operating income (expense)				
Investment earnings	219,724	285,942	(12,884)	92,213
Connection fees (3)	102,504	26,102	11,406	-
Debt service contributions	149,273	169,161	211,511	236,052
Interest and amortization expense	(405,501)	(610,808)	(496,504)	(722,772)
Gain (loss) on disposal of capital assets	-	(550,816)	(1,416)	(16,660)
Debt service transfer to County (4)	-	-	-	(331,253)
Total non-operating income (expense)	<u>66,000</u>	<u>(680,419)</u>	<u>(287,887)</u>	<u>(742,420)</u>
Net income (loss)	<u>\$ 2,931,612</u>	<u>\$ 1,961,061</u>	<u>\$ 835,838</u>	<u>\$ 216,843</u>

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

(2) Beginning in fiscal 2001, depreciation expense is allocated to departments.

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

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

Table 2

	2001	2000	1999	1998	1997	1996
\$	1,796,994	\$ 1,759,201	\$ 1,694,459	\$ 1,664,645	\$ 1,715,725	\$ 1,788,531
	3,294,403	3,368,627	3,030,469	3,087,082	3,032,461	2,878,231
	1,035,565	916,656	890,329	889,841	895,035	909,140
	479,546	203,254	206,987	275,640	220,716	229,546
	(155,773)	(134,272)	(145,607)	(151,520)	(157,251)	(155,588)
	6,450,735	6,113,466	5,676,637	5,765,688	5,706,686	5,649,860
	834,882	794,632	793,275	690,779	870,885	1,231,842
	2,397,946	1,851,516	1,535,176	1,668,487	1,674,038	1,387,883
	221,327	224,686	203,659	228,227	224,103	229,221
	22,627	20,333	18,849	18,423	19,844	29,911
	899,403	652,277	786,806	611,780	480,976	469,663
	259,904	252,586	235,709	276,881	184,707	132,849
	122,494	124,458	106,613	108,801	84,348	68,338
	1,129,497	983,280	819,641	819,187	726,404	841,875
	-	863,522	1,022,202	981,386	964,202	959,710
	5,888,080	5,767,290	5,521,930	5,403,951	5,229,507	5,351,292
	562,655	346,176	154,707	361,737	477,179	298,568
	256,390	235,048	214,676	267,652	334,630	389,463
	-	-	-	-	-	-
	220,957	239,104	224,104	223,987	227,727	239,053
	(394,423)	(413,162)	(398,460)	(433,950)	(447,333)	(437,948)
	(125,087)	(7,951)	(3,777)	(1,383)	(749)	(1,612)
	(312,721)	(334,933)	(330,091)	(319,742)	(315,317)	(332,437)
	(354,884)	(281,894)	(293,548)	(263,436)	(201,042)	(143,481)
\$	207,771	\$ 64,282	\$ (138,841)	\$ 98,301	\$ 276,137	\$ 155,087

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Operating revenue				
Water sales	\$ 9,836,021	\$ 7,865,015	\$ 6,740,398	\$ 6,195,587
Sewage disposal sales	10,802,074	11,217,402	10,079,505	9,753,436
Surcharges and other usage fees	1,119,402	1,040,209	726,025	529,182
Other operating revenue	1,684,277	1,975,646	1,868,318	1,917,408
Sales discounts	-	(82,441)	(579,682)	(713,387)
Total operating revenue	<u>23,441,774</u>	<u>22,015,831</u>	<u>18,834,564</u>	<u>17,682,226</u>
Operating expenses				
Water distribution	5,945,015	4,929,893	4,356,729	3,996,843
Wastewater treatment	7,945,671	7,825,218	8,371,710	6,827,203
Wastewater pump stations	659,904	604,078	645,206	712,722
Industrial surveillance	291,736	135,949	113,794	89,426
Transmission and distribution	4,592,643	3,826,206	3,633,059	2,822,492
Meter service	1,085,856	863,279	837,220	627,760
Customer accounting and collections	550,867	510,610	484,151	385,554
General and administration (1)	1,664,198	1,505,941	1,391,179	3,157,187
Depreciation (2)	-	-	-	-
Total operating expenses	<u>22,735,890</u>	<u>20,201,174</u>	<u>19,833,048</u>	<u>18,619,187</u>
Operating income (loss)	<u>705,884</u>	<u>1,814,657</u>	<u>(998,484)</u>	<u>(936,961)</u>
Non-operating income (expense)				
Investment earnings	432,029	895,739	34,377	942,506
Connection fees (3)	872,844	2,119,003	1,055,085	-
Debt service contributions	855,252	37,348	-	684,426
Interest and amortization expense	(546,244)	(609,769)	(526,609)	(986,338)
Gain (loss) on disposal of capital assets	(75,287)	(1,418,642)	(1,417)	(49,801)
Debt service transfer to County (4)	-	-	-	(883,462)
Total non-operating income (expense)	<u>1,538,594</u>	<u>1,023,679</u>	<u>561,436</u>	<u>(292,669)</u>
Net income (loss)	<u>\$ 2,244,478</u>	<u>\$ 2,838,336</u>	<u>\$ (437,048)</u>	<u>\$ (1,229,630)</u>

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

(2) Beginning in fiscal 2001, depreciation expense is allocated to departments.

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

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

Table 3

2001	2000	1999	1998	1997	1996
\$ 6,113,866	\$ 5,697,792	\$ 5,329,747	\$ 5,123,264	\$ 4,884,719	\$ 5,223,688
10,498,604	10,024,163	9,076,811	9,046,167	8,684,778	8,453,906
692,861	831,390	840,326	742,567	792,211	778,387
1,813,984	773,826	834,607	889,312	713,728	985,984
(942,590)	(872,513)	(874,666)	(827,379)	(857,599)	(873,162)
18,176,725	16,454,658	15,206,825	14,973,931	14,217,837	14,568,803
3,453,834	3,194,347	3,130,715	2,887,670	2,799,894	3,022,433
6,591,058	5,083,319	4,480,706	4,638,621	4,313,269	3,817,777
601,574	611,946	596,007	634,505	577,414	637,538
64,839	55,378	55,161	51,219	51,131	81,869
2,717,029	1,412,375	1,445,493	1,139,048	925,260	1,008,278
719,380	654,440	579,774	563,724	442,373	298,899
331,183	321,310	262,038	257,286	202,849	167,751
2,909,233	2,486,174	2,224,798	2,116,189	1,790,873	1,975,519
-	2,998,447	2,630,091	2,461,174	2,311,754	2,230,722
17,388,130	16,817,736	15,404,783	14,749,436	13,414,817	13,240,786
788,595	(363,078)	(197,958)	224,495	803,020	1,328,017
974,893	483,127	385,603	458,023	379,689	359,598
-	-	-	-	-	-
-	30,866	29,511	465,366	27,065	74,137
(659,902)	(353,559)	(223,718)	(245,045)	(277,933)	(306,889)
(339,920)	(24,933)	21,818	13,184	(85,457)	(9,490)
(905,989)	(891,480)	(884,370)	(884,105)	(876,654)	(872,763)
(930,918)	(755,979)	(671,156)	(192,577)	(833,290)	(755,407)
\$ (142,323)	\$ (1,119,057)	\$ (869,114)	\$ 31,918	\$ (30,270)	\$ 572,610

Table 4

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

<u>Fiscal Year</u>	<u>(1) Gross Revenue</u>	<u>(2) Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>(3) Total Debt Service Requirement</u>	<u>Coverage</u>
2005	\$34,602,217	\$23,178,366	\$ 11,423,851	\$ 6,108,306	1.87
2004	33,550,541	21,058,612	12,491,929	5,252,872	2.38
2003	27,197,424	21,476,377	5,721,047	4,689,848	1.22
2002	26,308,768	20,241,129	6,067,639	4,335,292	1.40
2001	26,079,700	19,245,962	6,833,738	4,187,246	1.63
2000	23,556,269	18,723,057	4,833,212	3,217,769	1.50
1999	21,737,356	17,274,420	4,462,936	2,803,390	1.59
1998	22,154,647	16,710,827	5,443,820	2,922,489	1.86
1997	20,893,634	15,368,368	5,525,266	2,825,484	1.96
1996	21,280,914	15,401,646	5,879,268	2,717,517	2.16

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

(2) Excludes depreciation expense.

(3) Includes revenue bonds and capital leases only.